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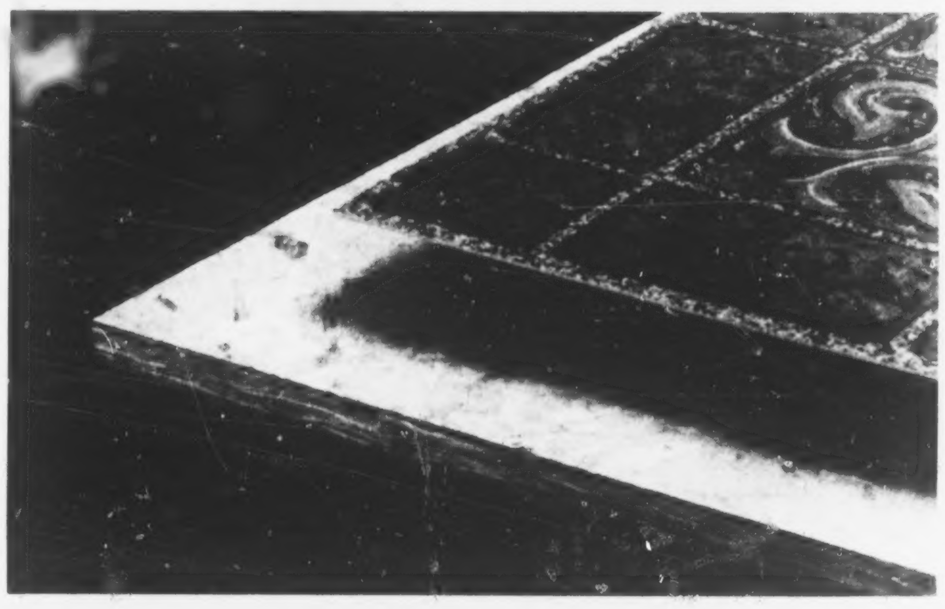

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LUMBER REPORT

Forest products industry seeks increased contract cost support

NATIONAL REPORT—A large segment of the forest products industry continues to be alarmed at the prospect of defaults by lumber companies burdened by their high-priced contracts for harvesting timber on Federal lands.

Although, after long debate, the Reagan Administration approved five-year extensions for companies facing potential problems from the stumpage costs on Federal lands (*NHCN* Aug. 8, 1983), many in the forest product industry continue to say the Administration's measure did not go far enough.

For retailers, the impact of defaulting lumber companies would probably be higher prices. Production could decline, which could lead to less supply. But, perhaps more than that, extensive defaults would reduce the number of operators in the business.

And, as Harry Horrocks, Director of Governmental Affairs for the National Lumber and Building Material Dealers Assn., has told *NHCN*, "The mom and pop operators keep the big guys honest."

Of course, as Horrocks notes, there had also been strong opposition to assisting the stricken lumber producers because of the belief that a bail-out can be a license to repeat past mistakes.

The mistakes, in the case of lumber producers in the Northwest, were in assuming in the late 1970's that happy days were here forever. Believing that a strong economy and unchecked inflation would drive lumber prices skyward, many Northwest lumber firms spurred the cost of Federal stumpage as they bid competitively for the right to harvest on Government land.

When the economy went into recession, the lumber producers were stuck with high production costs, caused by their expensive stumpage contracts, at a time when flattened lumber prices could not produce sufficient revenue.

The companies had bid the cost of harvesting timber up to $300 and more per thousand board feet and during the depths of the recession the composite price for what mills could charge for framing lumber was barely $160 per thousand board feet, according to Random Lengths.

Almost 400 purchasers, in the four-state region of Oregon, Washington, northern California and northern Idaho, hold 2,441 contracts on 16.6 billion board feet of lumber with a contract value of $4.5 billion, according to the Forest Service.

The severity of the problem is such, according to proponents of additional relief, that even with the Administration's five-year, interest-free contract extension alternative, a certain number of defaults will occur.

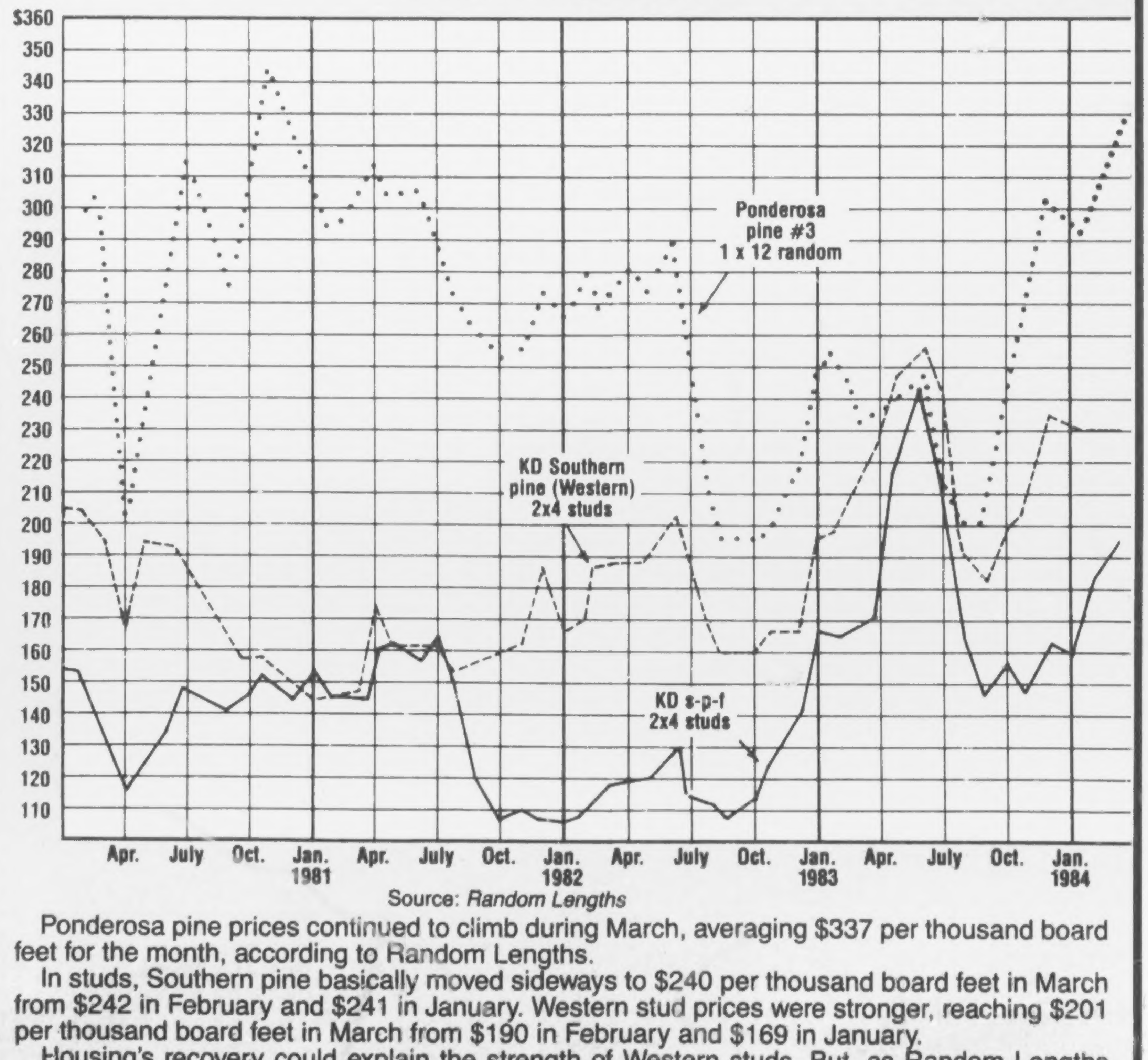
Those who support additional help for ailing firms note that, although lumber prices have bounced back from the recession, they are not currently at—and in the next five years probably will not reach—levels sufficiently high to offset the cost of the timber contracts. Indeed, Random Length's composite framing lumber price for March—$234 per thousand board foot—while certainly up from two years ago, may not be high enough to sustain companies burdened with high stumpage costs.

The National Forest Products Assn. recently decided to support a "buy out" approach to the problem, in which a company could return to the Federal Government up to 55% of its volume under contract prior to Jan. 1, 1982, up to 200 million board feet. A "buy out" charge would be established with a formula involving a ratio between the company's potential loss and its net worth.

Bronson Lewis (right), 24-year veteran of the American Plywood Assn., will step down as the organization's executive vice president on Nov. 1. He will be succeeded by APA vice president and general manager William Robinson, who has been with the organization 33 years.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

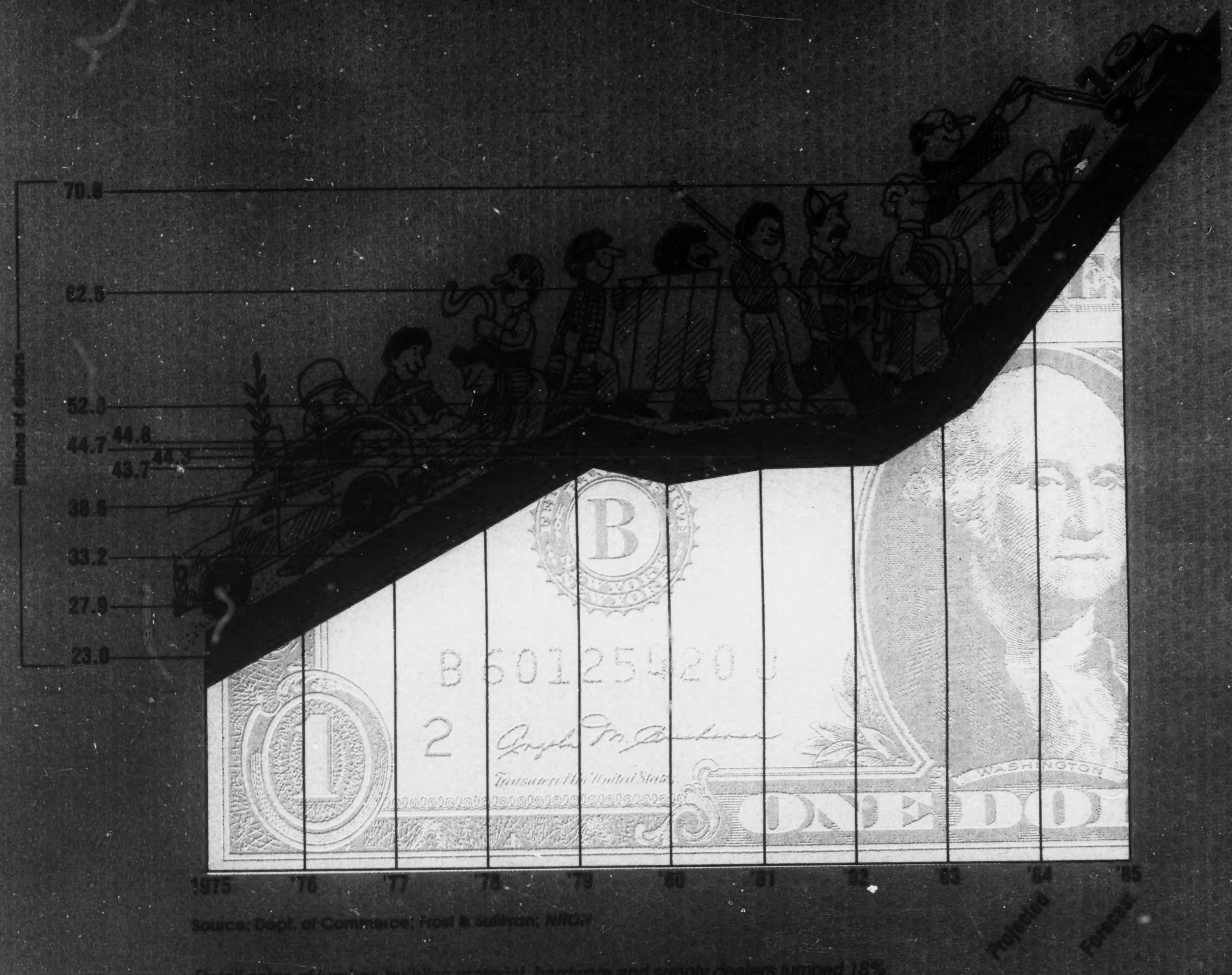
Ponderosa pine prices continued to climb during March, averaging $337 per thousand board feet for the month, according to Random Lengths.

In studs, Southern pine basically moved sideways to $240 per thousand board feet in March from $242 in February and $241 in January. Western stud prices were stronger, reaching $201 per thousand board feet in March from $190 in February and $169 in January.

Housing's recovery could explain the strength of Western studs. But, as Random Lengths noted, other factors may be at work, since in a turnaround of historical trends, Western studs are now priced higher than Western random length s-p-f.

THE *NHCN* ANNUAL REPORT ON THE HOME CENTER INDUSTRY

DIY sales—back on the fast track



Source: Dept. of Commerce; Frost & Sullivan; NHCN

Retail sales of lumber, building material, hardware and supply dealers jumped 18% in 1983 to $52.8 billion and are expected to pass the $60 billion mark in 1984.

1983's Top 100 DIY chains 43-47

NHCN's new Top 100 in total sales 48

How the Top 10 chains performed 50-71

Who was biggest & who grew fastest in '83 57-71

Sales & profit analysis of 9 product categories 73-88

The Top lumber and hardware co-ops 90-94

NHCN's 1st industry salary survey 97-98

Battle lines drawn in looming warehouse store warfare

(Continued from page 1)

This expansion frenzy occurred last year because by then there was finally no doubt that Home Depot's formula worked. Even Wall Street skeptics had become believers in Depot chairman Bernard Marcus and his team. Due to economic recovery, money was available, as were good retail sites, with at least 20 warehouse home centers now occupying stores formerly run by Woolco, the defunct discounter.

Even Home Depot, which spent 1982 refining and expanding existing stores, rather than opening new ones, started 1983 with eight units and ended it with 18 (19 in the fiscal year ended Jan. 29). The strategy of Home Depot and other warehouse chains in the explosion of stores in 1983 was to advance wherever possible and fortify a position in the market before the enemy arrived.

This will be the year that the enemy arrives.

Chicago will be the first of many cities attacked by The Home Team stores of K mart-Hechinger. Houston. Southern California. Baton Rouge. All will be battlefields where Home Depot will be up against Home-Pro, HomeClub and Bowater, respectively and respectfully. The industry has learned much from Home Depot in five years and when other warehouse chains enter these markets a repeat of Marcus' march through Georgia is unlikely.

"As the market heats up with warehouse competition can Bernie Marcus really make a profit?" asks HomeClub chairman Bob McNulty. "If retailers use their heads and don't oversaturate the market everyone will make a profit. I suspect they won't use their heads.

"Marcus is a great operator. The Home Depot will continue

(Continued on page 36)

THE HOME DEPOT		1979	1980	1981	1982
	THE HOME DEPOT	Atlanta (3) (60,000 sq. ft.)	Atlanta	Hollywood, Fla. Lauderdale Lakes, Fla. Hialeah, Fla. Perrine, Fla.	

Since 1979, Home Depot has been opening warehouse stores . . .

1983	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year-end count	1984	Mid-year count	Year-end count
Home Depot	Orlando, Fla. (2)				New Orleans (2) N. Miami Beach (70-80,000 sq. ft.)	Tampa, Fla. (96,000 sq. ft.)				Clearwater, Fla. W. Palm Beach	Phoenix (2) (80,000 sq. ft.)		18	Tucson Houston Jacksonville Baton Rouge Calif. Petersburg Deerfield Beach, Fla.	21	29

. . . last year the industry decided it was time to catch up

1983	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Year-end count	1984	Mid-year count	Year-end count
HOMEOWNERS WAREHOUSE			Coconut Creek, Fla. (70,000 sq. ft.)						Plantation, Fla. (60,000 sq. ft.)				2	Jacksonville, Augusta, Ga., Burbank, Ill., Oklahoma City, Miami, Nashville, Columbus, Ohio, Louisville, Ky.	2	12
HOUSEWORKS			New Orleans (2) (70,000 sq. ft.)		Sarasota, Brandenton, Fla. (50,000 sq. ft.)	New Orleans (2)					New Orleans		7		7	10
GROSSMAN'S					Ventura, Calif. (60,000 sq. ft.)			Stockton, Calif.				Long Island (3)	5	Montebello, Calif., Sayreville, N.J., Lawrenceville, N.J., Scranton, Pa.	10	15
HOME-PRO					San Antonio (91,000 sq. ft.)		San Antonio (70,000 sq. ft.)		San Antonio (63,000 sq. ft.), Corpus Christi (70,000 sq. ft.)		San Antonio (75,000 sq. ft.)		5	Lubbock, Tex., Houston	9	11
BOWATER								Dallas (2) (70-75,000 sq. ft.)		Dallas (75,000 sq. ft.)			3	Dallas, Baton Rouge	5	7
HOMECLUB										So. Calif. (2)			2	Las Vegas, Fullerton, San Bernardino, Calif.	4	5
HOMECRAFTERS											Memphis (2)		2	Denver, Memphis	5	8
HOUSEMART											Indianapolis		1	Indianapolis	2	3
PAY 'N PAK											Kent, Wash. (56,000 sq. ft.)		1	Anchorage, Bellevue, Wash., Modesto, Calif., Honolulu, San Francisco	5	8
PERGAMENT												Bethpage, N.Y. (70,000 sq. ft.)	1		2	2
MOORE'S														Charlotte, N.C., Charleston, W. Va.	3	6
CENTRAL														Indianapolis	5	7
FOREST CITY														Chicago	4	5
LINDSLEY														St. Petersburg, Fla.	1	4
BUILDERS EMPORIUM														Tustin, Calif.	1	2
RICKEL														Warminster, Pa.	1	3
CHASE PITKIN														Syracuse, N.Y.	1	1
SUPPLY 1														Reno, Nev.	2	2
THE HOME TEAM														Chicago	3	5
THE LOADING DOCK														Calif.		2
												TOTAL	47		93	147

Source: *NHCN* research

Bare floors, stencil signing, warehouse racking and an overall "down and dirty" look were originated by The Home Depot in Atlanta in June 1979 and have now been emulated by many other chains.

Battle lines drawn in looming warehouse war

(Continued from page 35)

to make money. It may outshine everyone," McNulty continues.

"I think we are best when we're in a dog fight," Marcus answers. "We look forward to markets where we're against somebody. The name of the game is not to get into a fight. The whole thing is not for glory. It's for earning dollars."

Marcus brushes off the challenge of this new hypercompetitive environment commenting that, of all the warehouse chains, only Home Depot has been demonstrably profitable. It is an argument he repeats often, with the alacrity of a politician on the stump. But he acknowledges that there are, in his words, "some bright people out there."

While warehouse warfare seems inevitable, it could be avoided, or at least postponed, if factors that heated the industry last year—abundant money and retail locations—become scarce.

"The Woolcos have dried up," noted David Heerensperger, chairman of Pay 'N Pak, which is spending $12 million to open a single warehouse in Honolulu and $7 million to $9 million for each of about 12 warehouse stores in the San Francisco area.

These huge expenses will be financed with money already obtained through public offerings. However, with home center stocks off as much as 50%, Heerensperger warns that the equity may well have dried up.

"Institutions bought a lot of shares in the past. Now they're scared of warehouse stores," he surmises. "People are worried about Marcus being clobbered, consequently we're suffering."

Says Heerensperger, "If interest rates continue to rise, the whole industry expansion will slow down."

Whether or not chains end up in fierce battle, they will certainly continue to appropriate ideas from each other.

Like other chains, Pay 'N Pak gleaned warehousing from observing Home Depot, which learned it from Depot executive vice president Pat Farrah, who had tried it unsuccessfully at his own Homeco store in California after first encountering no-frills retailing while working for nearby National Lumber.

Like other new warehouse chains, Pay 'N Pak added its own signature. For Pay 'N Pak that meant high-end, high-margin plumbing and electricals. And, coming full circle, when Home Depot opened its Phoenix stores late last year and early in 1984, the renown "down-and-dirty" look had somewhat given way to a Pay 'N Pak showroom approach.

Evans Products took home center warehouse retailing a step further last month in the Grossman's Long Beach, Calif., store, which emulated mass merchandiser Price Club, with bargain jeans, bags of nuts and other opportunistic buys offered alongside lumber and building materials.

Warehousing's influence has touched even smller stores, like Pay 'N Pak's Modesto, Calif., unit that opened in March, which, while only 30,000 sq. ft., uses warehouse racking. The Supply 1 operation set to be opened in Reno this month by Jay Steiner and other Lumberjack veterans also promises 30,000-sq.-ft. warehouse stores. Simply put, warehouse retailing has taught the industry how to pump more volume out of cubic space, regardless of size.

W. R. Grace last year entered the warehouse business with seven House Works stores, five in New Orleans and two in the Sarasota, Fla., area. Simultaneously, Grace reformated about half of its Handy City and Handy Dan stores with warehouse racking.

In fact, the lesson may have been best learned by W. R. Grace, whose Handy City stores in Atlanta, traditional convenience outlets, were Home Depot's first victims. Now roughly half of Grace's Handy City and Handy Dan stores, which average about 35,000 sq. ft., have been remerchandised and reformatted with warehouse racking.

"It gives us the ability to have greater velocity of merchandise go through smaller stores," says Daryl Lansdale, president of Grace's central region, which includes Handy City, Handy Dan and House Works, Grace's warehouse chain. The reformatted stores are getting double-digit comparable store sales, he said.

Lansdale feels that only larger stores of 70,000 sq. ft. or more are true warehouses though, because, "if it's not that large, you don't get the same perception from the customer."

HomeClub's McNulty does not consider even the large House Works to be true warehouse stores, however. "House Works hand-loads merchandise and has high profit margins," he argues, explaining that a warehouse store should be stocked efficiently by fork lift and margins must be in the low 20's.

"The real issue in the warehouse format comes down to this," says McNulty. "Can you get 9-to-10 turns? If you can do that you fundamentally have a warehouse. If you have five-to-six turns, you're still a retailer."

But, others would argue that smaller stores, like those run by B&B of St. Louis, qualify as warehouse home centers because of their fixturing, price orientation and emphasis on basics.

If there is an area of agreement among warehouse operators it is thus: the phenomenon is so new, there is more still to discover than has already been learned.

The pressure of working with margins in the low 20's forces retailers into the bind of having to tightly control expenses while seeking to expand market share to produce the required volume.

As McNulty notes, "In the traditional format, the discipline to be cost-conscious is not there." However, in a warehouse store, he adds, "If you're making 6% pretax profit, you need to do $100,000 in sales to make $6,000."

He admits that he is now first understanding the special demands of the warehouse business. Even Marcus concedes, "We wrote the book in this industry and we're only on chapter five."

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Contractor sales climb in '83 housing boom

NATIONAL REPORT—**Home centers with substantial contractor sales rode the crest of the home building wave last year, and enjoyed overall sales gains that were markedly higher than the industry's average.**

Independent and chain dealers catering to the professional customer as well as the DIYer benefited enormously from the 60% growth in housing starts to 1.7 million units that brought total spending for materials for new home construction to $70.9 billion last year.

While total volume among *NHCN*'s new Top 100 list of companies based on total sales rose 23.6% to $14.65 billion in 1983, those 38 retailers who were getting less than 55% of their sales from DIY transactions showed an average 34.6% rise in revenue, with their combined sales equaling $4.38 billion.

Home centers whose businesses have successfully integrated retail and contractor sales appear to stand the best chance of remaining profitable during future cyclical downturns in the housing market.

One company that perhaps symbolizes the direction in which the whole home center industry has evolved is Lowe's Co., the 238-unit chain based in North Wilkesboro, N.C.

Over the past five years, Lowe's has been converting its stores over to its consumer conscious "RSVP" (Retail Sales Volume and Profits) program in an attempt to lure more DIY customers into its stores. Over that same period, contractor sales as a percentge of the chain's total business have declined from 59% in 1978 to a low of 44.8% in 1982.

With the "RSVP" program having been overhauled several times in the past three years, it does not appear the chain will be swayed by the sudden upsurge in home building to revert back to a more contractor-oriented type format. However, with retail and professional sales each accounting for about half of the company's $1.4 billion total volume in 1983, Lowe's has been able to strike what appears to be an ideal balance in the kinds of customers to whom its stores are servicing.

Not all dealers, though, prescribed to this philosophy, and several discovered their stores were better suited to service the contractor more exclusively.

For instance, Calcasieu Lumber in Austin, Tex. (formerly Calco) virtually got out of the retail business entirely last year, and aggressively pursued professional sales. The result was a 50% increase in its total volume to $45 million. The same was true of Causeway Lumber in Fort Lauderdale, whose four stores, while getting only 25% of their sales from DIY customers, say their revenue jumped 50% to $42 million.

It is not surprising that many chains in Texas, where housing starts outpaced the rest of the country, were able to capture big sales gains from contractors. A few examples illustrate this: Foxworth-Galbraith in Dallas saw its sales increase 71% to $120 million, the largest percentage gain among the contractor-oriented companies listed in the top 100; Walker-Kurth in Houston had sales of $61 million, a 36% increase; the two-unit independent M. G. Building Materials in San Antonio saw its volume rise 33% to $40 million, three-fifths of which came from contractors.

A number of chains and independents outside of the Southern region also had huge sales gains last year.

One significant example is Boise Cascade, which over the past few years has reduced its store count to 82 stores from 101 in 1980, but has maintained its image as a contractor-yard chain. In 1983, Boise—which also operates a few stores in Houston—saw its sales jump 42% to $440 million, which company officials have pegged directly to new home construction in all of the chain's markets.

While Phoenix has stayed in step with other parts of the country in terms of home building, the kinds of sales O'Malley Lumber witnessed last year were remarkable, given the greater emphasis that chain has placed on its retail business over the past two years. With overall volume at its 19 stores rising 69% to $110 million, O'Malley's has begun again to push its builder business.

Contractor-oriented home centers even seemed to capture a good portion of builder sales in markets where home construction gains were less-pronounced than in the South and West. For instance, the six-unit Elgin Lumber in Illinois, whose sales are but 40% DIY, had a 53% increase in its overall volume, equaling $29 million last year; the eight-unit Strober Lumber, which is based in Brooklyn but has stores in Connecticut and New Jersey, also increased its overall volume 53% to $61 million, with nearly 7 out of every 10 sales dollars coming from contractors.

It remains to be seen whether any of these chains, seduced by the promise of robust builder sales this year, can shake off their euphoria long enough to develop programs and retailing strategies that are less-susceptible to the cyclicality of home building.

But for the time being, it looks like all home centers will be trying to get a bigger share of the contractor sales pie, even those companies who continue to get a high percentage of their sales from DIY customers.

Chains like Wickes Lumber, 84 Lumber, United Building Centers, West Building Materials and Wolohan Lumber, along with independents like A. C. Houston, Star Lumber, Williams Brothers and Robertson Cos. among others have all attempted this past year to present the dual image themselves as retail outlets that are amenable to both the beginning DIYer and the seasoned builder.

At Somerville Lumber, which is 85% DIY, contractors are granted 30-day credit terms not available to retail customers, and these builders can also call in their orders and have them waiting for them upon arrival.

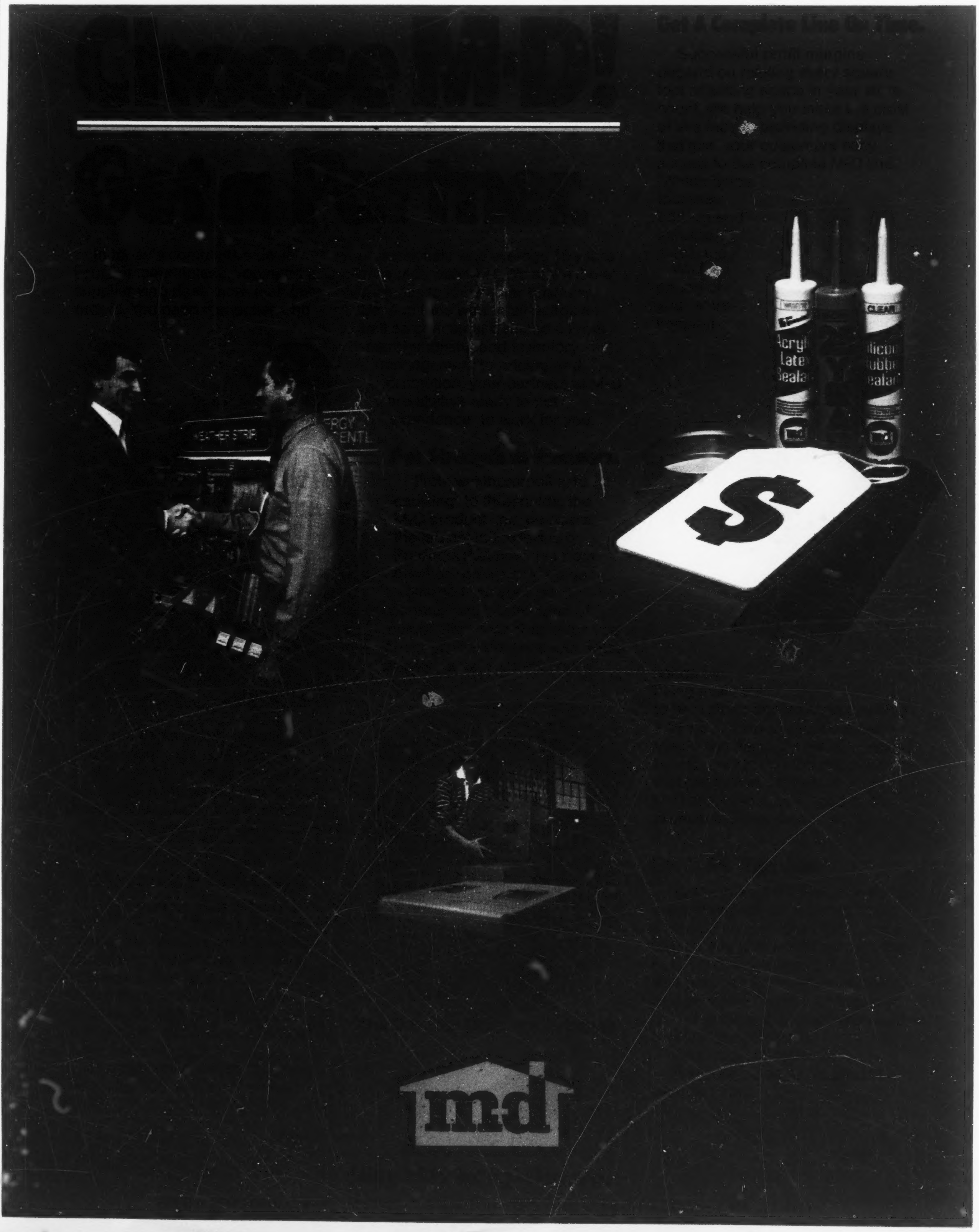
In addition, the Massachusetts-based Somerville began sending direct mail to contractors and industrial accounts in July 1982, and followed up with another mailer six months later. It was scheduled to send out its third mailing this spring.

"When business is good for the contractor, we know it's good enough for the consumer," said vice president Harold Cohen, whose two stores did $7 million with contractors last year.

Another DIY-oriented chain catering to the builder is the eight-unit Home-Pro Warehouse, based in San Antonio, which has also been sending out direct mailers to between 2,500 and 3,000 builders four times a year, and maintains about 3,000 sku's specifically for the tradesmen in its stores.

In addition, contractors are attended to at the stores' service desk, not the checkout line, by former tradesmen familiar with their clients' businesses.

Home-Pro's senior marketing vp Jud Walford explained that in most markets, 50% of the money spent on home improvement products came from DIYers, with the rest being spent with tradesmen, of which half is for labor. "We're looking to develop the 25% of the home improvement market that consists of materials purchased by tradesmen," he said.



THE NHCN TOP 100 DIY SALES

DIY Rank		COMPANIES	DIY SALES (million $)			TOTAL SALES (million $)			% DIY		STORES			'83 SELLING AREA (thousand sq. ft.)	
'83	'82		'83	'82	% Change	'83	'82	% Change	'83	'82	'83	'82	'84 (proj.)	Store avg.	Chain total
1	1	**W. R. Grace,** New York 14,000 employees; Sku's: 30K avg./30K total. Includes:	$ 974	$ 840	+ 16	$ 1,025	$ 875	+ 17	95	96	286	273	306*	20-50	11,150*
		Angels, Brea, Calif.	97	90	+ 8	97	90	+ 8	100	100	27	27	NA	NA	NA
		Cashway, El Paso, Tex. (incl. Allwoods)	78	71	+ 10	97	80	+ 21	80	89	12	12	NA	NA	NA
		Channel, Whippany, N.J.	305	260	+ 17	305	260	+ 17	100	100	98	91	104	NA	NA
		Handy City/Handy Dan/House Works, San Antonio	401	344	+ 17	401	344	+ 17	100	100	131	126	NA	NA	NA
		Orchard Supply, San Jose, Calif.	93	75	+ 24	125	101	+ 24	74	74	18	17	NA	NA	NA
2	3	**Payless Cashways,** Kansas City, Mo. (incl. Furrows, Lumberjack) 9,200 employees; Sku's: 13-14K avg./15K total[1]	821	573	+ 43	864	603	+ 43	95	95	118	100	160	11-38	3,090
3	2	**Evans Products,** Portland, Ore. 8,363 employees; Includes:	790	696	+ 13	928	790	+ 17	85	88	345	341	355*	16-55	7,200
		Alamo Enterprises, San Antonio	37	34	+ 9	45	38	+ 18	85	90	9	9	NA	16-20	NA
		Grossman's, Braintree, Mass.	380	333	+ 14	413	350	+ 18	92	95	175	174	NA	16-20	NA
		Hubbard & Johnson/Grossman's, San Carlos, Calif.	90	82	+ 10	128	108	+ 19	70	76	30	29	NA	16-55	NA
		Lindsley, Miami	155	134	+ 16	155	134	+ 16	100	100	43	43	NA	30	NA
		Moore's, Roanoke, Va.	127	112	+ 13	187	160	+ 17	68	70	88	86	NA	16-20	NA
4	4	**Lowe's,** No. Wilkesboro, N.C. 8,715 employees; Sku's: 9K avg./17.5K total	724	571	+ 27	1,431	1,034	+ 38	51	55	238	235	250	10-25	2,530
5	5	**Wickes Cos.,** Santa Monica, Calif. 6,604 employees; Includes:	466	458	+ 2	814	746	+ 9	57	61	282	297	286	7-36	3,600
		Builders Emporium, Irvine, Calif.	182	170	+ 7	182	170	+ 7	100	100	56	58	60	36	2,018
		Wickes Lumber, Chicago	284	288	− 1	632	576	+ 10	45	50	226	239	226	7	1,582
6	6	**84 Lumber,** Eighty-Four, Pa.	414	360	+ 15	690	600	+ 15	60	60	374	354	404	NA	4,500*
7	7	**Sutherland,** Kansas City, Mo. 2,500 employees	381	311	+ 23	423	345	+ 23	90	90	82	75	86	14-30	1,600*
8	8	**Hechinger,** Landover, Md. 5,000 employees; Sku's: 40K avg./40K total	310	241	+ 29	310	241	+ 29	100	100	41	34	48	60	1,790
9	11	**Rickel,** So. Plainfield, N.J. 3,500 employees; Sku's: 30K avg./30K total	275	224	+ 23	275	224	+ 23	100	100	36	34	40	48	1,750
10	9	**Scotty's,** Winter Haven, Fla. 4,800 employees; Sku's: 11.5K avg. 12.1K total	271	249	+ 9	399	324	+ 23	68	77	105	100	114	37	3,860
11	20	**The Home Depot,** Atlanta 2,400 employees; Sku's: 25K avg./25K total	256	118	+117	256	118	+117	100	100	19	10	29	75-80	1,520
12	10	**Ernst Home Center,** Seattle (incl. Von Tobel's) 2,100 employees; Sku's: 30K avg./30K total	255	230	+ 11	255	230	+ 11	100	100	72	68	73	36	2,590
13	14	**Pay 'n Pak,** Kent, Wash. 1,475 employees; Sku's: 15K avg./15K total	250	187	+ 34	250	187	+ 34	100	100	100	98	104	18-56	2,240
14	12	**Handyman,** San Diego (incl. Homer's)	240	200	+ 20	240	200	+ 20	100	100	77	80	80	40	3,100*
15	13	**Ole's Home Centers,** Pasadena, Calif. 3,000 employees; Sku's: 27K avg./27K total	215	188	+ 14	215	188	+ 14	100	100	35	32	37	40	1,400
16	15	**Central Hardware,** Bridgeton, Mo. 2,500 employees; Sku's: 45K avg./45K total	200	180	+ 11	200	180	+ 11	100	100	30	29	30	45	1,350
17	16	**Menards,** Eau Claire, Wis. Sku's: 50K avg.	194	170	+ 14	228	200	+ 14	85	85	21	19	24	50	1,050
18	18	**Boise Cascade,** Boise, Idaho Sku's: 10.5K avg.	176	155	+ 14	440	310	+ 42	40	50	85	93	85	12.5-15	1,530
19	17	**Pergament Home Centers,** Melville, N.Y. 2,500 employees; Sku's: 37K avg./37K total	160	140	+ 14	160	140	+ 14	100	100	42	40	44	25	1,000*
20	24	**Lanoga,** Seattle Includes[2]:	138	98	+ 25	303	218	+ 39	45	50	127	126	148	5-30	725*
		Lumbermen's, Shelton, Wash.[3]	34	14	+143	52	22	+136	65	65	14	13	15	10-30	225
		Spenard's, Anchorage	41	34	+ 21	136	112	+ 33	30	30	12	11	NA	3-20	100*
		United Building Centers, Winona, Minn.	63	50	+ 26	115	84	+ 37	55	60	102	108	122	5-10	400
21	19	**West Building Materials,** Atlanta, Sku's: 16-20K avg./20-25K total	135	118	+ 14	180	157	+ 15	75	75	65	64	NA	NA	950*
22	22	**McCoy's Building Supply,** San Marcos, Tex.	132	103	+ 28	165	129	+ 28	80	80	50	38	60	15	750
23	21	**Forest City,** Cleveland 2,000 employees; Sku's: 30K avg./30K total	125	115	+ 9	128	117	+ 9	98	98	20	20	22	55	1,500
24	23	**National Lumber,** Santa Ana, Calif. 950 employees; Sku's: 30K avg./30K total	114	98	+ 16	114	98	+ 16	100	100	12	12	16	45	620
25	25	**Diamond Lumber,** Sacramento, Calif. 1,250 employees; Sku's: 10K avg./10K total[4]	92	85	+ 8	306	244	+ 25	30	35	97	119	97	6	600*
26	26	**Hugh M. Woods,** Denver 600 employees; Sku's: 15-20K avg./15-20K total[5]	86	77	+ 12	95	86	+ 10	90	90	14	12	—	32-40	500*
27	37	**Weyerhaeuser,** Tacoma, Wash. 538 employees. Includes:	83	77	+ 8	130	120	+ 8	64	64	11	11	13	NA	230
		Dixieline Lumber, San Diego	56	53	+ 6	80	76	+ 5	70	70	5	5	6	18	90
		Everitt Lumber, Fort Collins, Colo.	20	18	+ 11	40	35	+ 14	50	50	4	4	NA	27	108
		Fisher Lumber, Santa Monica, Calif.	7	6	+ 16	10	9	+ 11	70	70	2	2	NA	16	32
28	32	**Handy Andy Home Improvement Centers,** Gurnee. Ill. 900 emloyees; Sku's: 30K avg./30K total	83	64	+ 30	85	65	+ 31	98	98	13	11	14	28-85	500*
29	34	**Knox Lumber,** St. Paul, Minn. 600 employees; Sku's: 20-22K avg./22K total	80	67	+ 19	84	71	+ 18	95	95	9	9	10	30	300
30	27	**Erb Lumber,** Birmingham, Mich. 893 employees; Sku's: 7K avg./10K total	69	73	− 5	137	97	+ 41	50	75	36	35	39	5-20	420
31	30	**Wolohan Lumber,** Saginaw, Mich. 487 employees; Sku's: 8K avg./ 25-30K total	67	60	+ 12	112	89	+ 26	60	67	35	32	38	12-24	581
32	38	**Carter-Jones Lumber,** Kent, Ohio	66	60	+ 10	120	100	+ 20	55	60	136	130	NA	NA	1,200*
33	29	**Busy Beaver,** Pittsburgh Sku's: 10-15K avg./ 22K total	65	55	+ 18	87	76	+ 14	75	72	30	32	29	6-30	500
34	36	**Neiman-Reed's Lumber City,** Van Nuys, Calif. 776 employees; Sku's: 22.5K avg./23K total	60	52	+ 15	63	55	+ 15	95	95	12	13	13	28-45	565
35	35	**Valu Home Centers,** Buffalo 500 employees	58	53	+ 9	58	53	+ 9	100	100	22	21	23	25	550
36	NR	**Orscheln Farm & Home Supply,** Moberly, Mo. 340 employees; Sku's: 14K avg./14K total	54	52	+ 4	55	55	0	98	95	61	64	61	12	900

THE NHCN TOP 100 DIY SALES

DIY Rank		COMPANIES	DIY SALES (million $)			TOTAL SALES (million $)			% DIY		STORES			'83 SELLING AREA (thousand sq. ft.)	
'83	'82		'83	'82	% Change	'83	'82	% Change	'83	'82	'83	'82	'84 (proj.)	Store avg.	Chain total
37	33	**American Maize Products,** Stamford, Conn. 647 employees; Sku's: 6K avg./7-8K total Includes:	52	51	+ 2	81	77	+ 5	64	66	39	39	39	1-60	380
		Buchanan Lumber, Danbury, Conn.	6	7	− 14	19	19	0	31	35	8	8	8	25	NA
		Lloyd Home & Building Centers, Danbury, Conn.	46	44	+ 5	62	58	+ 7	74	76	31	31	31	1-60	NA
38	28	**Great Plains Supply,** St. Paul, Minn. 1,000 employees; Sku's: 10K avg./10K total	51	66	− 23	85	110	− 23	60	60	92	102	85	4	332
39	40	**Lampert Lumber,** St. Paul, Minn. 616 employees; Sku's: 6K avg./35K total	50	43	+ 16	76	65	+ 17	66	66	47	49	47	10	520
40	45	**Courtesy Home Centers,** Mt. Prospect, Ill. 430 employees; Sku's: 35K avg./35K total	50	35	+ 43	50	35	+ 43	100	100	4	4	5	50	200
41	41	**Foxworth-Galbraith Lumber,** Dallas 1,200 employees; Sku's: 12K avg.	48	42	+ 14	120	70	+ 71	40	60	49	49	51	2-55	600*
42	39	**Homecrafters Warehouse,** Birmingham, Ala. 900 employees; Sku's: 12-30K avg./30K total[6]	47	33	+ 42	104	66	+ 58	45	50	36	49	42	7-69	522
43	44	**Stambaugh-Thompson,** Youngstown, Ohio 700 employees; Sku's: 15K avg./17K total	47	38	+ 24	47	38	+ 24	100	100	20	17	20	20-34	421
44	50	**Westlake Ace Hardware,** Moberly, Mo. 450 employees; Sku's: 21K avg./21K total	46	32	+ 44	50	35	+ 43	91	91	26	19	30	19-20	507
45	42	**Copeland Lumber Yards,** Portland, Ore. 600 employees	44	38	+ 16	80	75	+ 7	55	50	80	77	85	5	400
46	55	**Edward Hines Lumber,** Chicago 350 employees; Sku's: 7.5K avg./9.5K total[7]	42	30	+ 40	83	60	+ 38	50	50	25	25	33	7.7	190
47	53	**Somerville Lumber,** Somerville, Mass. 390 employees; Sku's: 37K avg./37K total[8]	40	29	+ 38	47	34	+ 38	85	85	2	2	3	37-42	79
48	49	**O'Malleys,** Phoenix 1,000 employees; Sku's: 20K avg./20K total	39	33	+ 18	110	65	+ 69	35	50	19	15	19	8-40	464
49	46	**Hill-Behan,** St. Louis 750 employees; Sku's: 10K avg./10K total	38	33	+ 15	75	60	+ 25	50	55	32	32	34	7-30	352
50	43	**Goodman Lumber,** San Francisco	38	30	+ 27	38	30	+ 27	100	100	5	5	5	7-100	200*
51	48	**Warners True Value,** St. Paul, Minn. 800 employees	36	33	+ 9	38	35	+ 9	95	95	23	23	23	NA	300*
52	57	**Chase-Pitkin,** Rochester, N.Y. 400 employees; Sku's: 40K avg./40K total	35	29	+ 21	37	30	+ 23	95	95	11	10	11	35	280
53	56	**Scott's,** Linthicum, Md. 400 employees; Sku's: 15K avg./15K total	34	27	+ 26	35	28	+ 25	98	95	17	17	17	19-40	450
54	52	**Peavey,** Minneapolis (incl. Fish Building Supply) 375 employees; Sku's: 10-25K avg./10-25K total[9]	33	40	− 18	50	60	− 17	67	67	23	34	—	8	200*
55	62	**Walker-Kurth,** Houston 300 employees; Sku's: 30K avg./35K total	31	23	+ 35	61	45	+ 36	50	50	6	8	5	12-20	75
56	59	**Church's Lumber Yards,** Utica, Mich. 200 employees; Sku's: 12.5K avg./10-15K total	30	24	+ 25	40	32	+ 25	75	75	12	11	13	10-25	198
57	61	**Eclipse Industries,** St. Louis (incl. B&B, Big E)	30	25	+ 20	30	25	+ 20	100	100	7	6	11	40	280
58	54	**Homeowners DIY Centers,** Gardena, Calif. 400 employees; Sku's: 35K avg./40K total	30	28	+ 7	30	28	+ 7	100	100	5	5	5	25-35	160
59	NR	**Elk Supply,** Clinton, Okla. 110 employees; Sku's: 10-15K avg.	29	13	+123	36	20	+ 80	80	65	18	16	18	10-12	200*
60	60	**City Mill,** Honolulu 350 employees; Sku's: 21K avg./21K total	27	24	+ 13	30	24	+ 25	90	98	4	4	6	45	225
61	84	**Mr. Goodbuys,** Philadelphia 250 employees; Sku's: 12K avg./12K total	26	20	+ 30	26	20	+ 31	100	100	4	4	6	23-51	144
62	58	**Peter Kuntz,** Dayton, Ohio 400 employees; Sku's: 5-20K avg./20K total	24	24	0	48	48	0	50	50	24	26	25	1.5-30	300*
63	64	**Lampert Yards,** St. Paul, Minn. 285 employees; Sku's: 10-15K avg.	24	30	− 20	40	50	− 20	60	60	31	32	31	NA	300*
64	73	**Plywood Ranch,** Braintree, Mass. 200 employees; Sku's: 6K avg./8K total	24	22	+ 9	25	23	+ 9	95	95	19	28	NA	12	220
65	75	**Anderson Lumber,** Ogden, Utah 500 employees; Sku's: 15K avg./30K total	23	17	+ 35	70	50	+ 40	33	33	22	21	22	2-40	200
66	65	**All American Home Center,** Downey, Calif. 250 employees; Sku's: 70K avg./70K total	23	20	+ 15	23	20	+ 15	100	100	1	1	1	135	135
67	47	**Charles Meek Lumber,** Springfield, Mo.	22	17	+ 29	73	57	+ 28	30	30	20	18	22	30	575*
68	51	**Plywood Minnesota,** Minneapolis 250 employees; Sku's: 2-5K avg./5K total	22	23	− 4	29	31	− 6	75	75	10	20	10	25	250
69	63	**Braver Lumber,** Detroit (incl. Pine Lumber Cashway) 250 employees; Sku's: 7K avg./7K total	22	23	− 4	27	26	+ 4	85	90	12	12	13	6-10	120
70	66	**Sackett & Peters,** Whittier, Calif. 155 employees; Sku's: 35K avg./35K total	22	20	+ 10	22	20	+ 10	99	99	2	2	3	35	70
71	87	**Strober Bros.,** Brooklyn, N.Y. 200 employees; Sku's: 8-10K avg./8-10K total	21	14	+ 50	61	40	+ 53	35	35	8	8	8	3	22*
72	78	**Star Lumber,** Wichita, Kan. 375 employees; Sku's: 20K avg./20K total	21	17	+ 24	50	37	+ 35	41	45	3	3	3	29-44	108
73	67	**Brewster's,** Providence, R.I. 200 employees; Sku's: 10K avg./10K total	21	19	+ 11	35	32	+ 9	60	60	4	4	4	17	68
74	82	**Kindt, Lomira,** Wis. 330 employees; Sku's: 9K avg./9K total[10]	20	15	+ 33	40	33	+ 21	50	50	7	6	7	15-22	334
75	68	**T. H. Rogers,** Oklahoma City 200 employees; Sku's: 10K avg./10K total	20	19	+ 5	30	29	+ 3	65	65	32	32	33	5	180
76	71	**Gee Lumber,** Chicago 450 employees; Sku's: 40K avg./42K total	20	19	+ 5	25	25	0	80	75	13	13	14	20-60	400
77	69	**Z & L Lumber,** Pittsburgh 120 employees; Sku's: 8K avg./8K total	20	20	0	24	24	0	85	85	6	6	6	50	300

THE NHCN TOP 100 DIY SALES

DIY Rank		COMPANIES	DIY SALES (million $)			TOTAL SALES (million $)			% DIY		STORES			'83 SELLING AREA (thousand sq. ft.)	
'83	'82		'83	'82	% Change	'83	'82	% Change	'83	'82	'83	'82	'84 (proj.)	Store avg.	Chain total
78	**79**	**Budget Power,** Hopkins, Minn. 350 employees; Sku's: 20-22K avg./22K total	**20**	18	+ 11	**21**	19	+ 11	**95**	95	**7**	7	9	10-12	80
79	**70**	**Thurman Industries,** Kirkland, Wash. 110 employees; Sku's: 12K avg./12K total	**20**	18	+ 11	**20**	18	+ 11	**98**	98	**10**	9	11	12-15	130
80	**81**	**The Paty Co.,** Piney Flats, Tenn. 325 employees; Sku's: 13.5K avg./13.5K total	**19**	16	+ 19	**35**	31	+ 14	**55**	50	**6**	6	6	14	84
81	**74**	**Samon's DIY Centers,** N. Salt Lake, Utah 205 employees; Sku's: 10K avg./14K total	**19**	18	+ 6	**22**	20	+ 10	**90**	90	**14**	14	14	12-16	160
82	**77**	**A. C. Houston Lumber,** Wichita, Kan. 325 employees; Sku's: 15-20K avg./15-20K total	**18**	17	+ 6	**52**	48	+ 8	**35**	35	**11**	11	11	4-20	120*
83	**89**	**Alexander Lumber,** Aurora, Ill. 270 employees;	**18**	12	+ 50	**50**	40	+ 25	**35**	30	**60**	60	60	0.3-24	400*
84	**72**	**Williams Bros. Lumber,** Atlanta 325 employees; Sku's: 13K avg./13K total	**18**	18	0	**35**	30	+ 17	**50**	60	**9**	9	10	11.5	145
85	**76**	**Curtis Lumber,** Ballston Spa, N.Y. 145 employees; Sku's: 10.5K avg./11K total	**18**	17	+ 6	**28**	22	+ 27	**65**	75	**6**	6	7	7-48	97
86	**88**	**Lezzer Lumber,** Curwensville, Pa. 90 employees; Sku's: 12K avg./12K total	**18**	14	+ 29	**26**	20	+ 30	**70**	70	**5**	4	6	10	60
87	**83**	**L-P Home Centers,** Huntington, Beach, Calif. 200 employees; Sku's: 20-28K avg./28K total	**18**	16	+ 13	**25**	25	0	**70**	65	**7**	7	7	8-30	150
88	**NR**	**Hughes Lumber,** Tulsa, Okla. 150 employees; Sku's: 6K avg./6K total	**18**	16	+ 13	**22**	20	+ 10	**80**	80	**9**	9	10	NA	75*
89	**NR**	**Jaeger Lumber,** Union, N.J. 110 employees; Sku's: 12-14K avg./12-14K total	**17**	13	+ 31	**23**	20	+ 15	**75**	65	**5**	3	5	12-20	44
90	**94**	**Builderama,** Savannah, Ga. 200 employees; Sku's: 18K avg./18K total	**17**	13	+ 31	**20**	15	+ 33	**85**	90	**6**	5	8	30	150
91	**90**	**Fullerton Lumber,** Minneapolis 352 employees;	**16**	12	+ 33	**40**	31	+ 29	**40**	40	**50**	50	50	1-20	512
92	**NR**	**M. G. Building Materials,** San Antonio 75 employees; Sku's: 12K avg./12K total	**16**	12	+ 33	**40**	30	+ 33	**40**	40	**2**	2	2	10	20
93	**91**	**Bailey Lumber,** Bluefield, W. Va. 231 employees; Sku's: 11K avg./20K total	**15**	12	+ 25	**21**	20	+ 5	**70**	60	**18**	18	18	4-10	110
94	**92**	**TAPJAC,** Carthage, Mo. 210 employees; Sku's: 10K avg./45K total	**15**	12	+ 25	**20**	18	+ 11	**75**	65	**14**	13	14	4-20	130
95	**80**	**Levy's Lumber,** Louisville, Ky. 200 employees; Sku's: 18-20K avg./18-20K total	**15**	14	+ 7	**18**	16	+ 13	**85**	85	**3**	3	4	15-65	130
96	**NR**	**Ziegler Building Centers,** Spokane, Wash. 90 employees; Sku's: 2-16K avg./18K total	**15**	13	+ 15	**18**	15	+ 20	**85**	85	**8**	8	9	6-18	100*
97	**98**	**Robertson Cos.,** Grand Forks, N.D. 120 employees; Sku's: 18K avg./18K total	**14**	11	+ 27	**30**	28	+ 7	**45**	40	**31**	31	33	2-20	300*
98	**NR**	**M. L. Claster & Sons,** Bellefonte, Pa. 185 employees; Sku's: 5K avg./6K total	**14**	12	+ 17	**24**	20	+ 20	**60**	60	**12**	12	12	7	25
99	**NR**	**Home-Pro Warehouse,** San Antonio 550 employees; Sku's: 35K avg./35K total[11]	**14**	—	—	**17**	—	—	**8[illegible]**	—	**5**	0	11	70	335
100	**96**	**Wood Bros. Lumber,** Tucson 200 employees; Sku's: 12K avg./12K total[12]	**14**	12	+ 17	**16**	13	+ 23	**90**	90	**3**	2	—	15-33	63
		Top 10 Home Center Companies	**5,426**	4,523	+ 20	**7,159**	5,782	+ 24	**76**	78	**1,907**	1,843	2,049	—	41,070
		Top 25 Home Center Companies	**8,108**	6,708	+ 21	**10,599**	8,498	+ 25	**76**	79	**2,759**	2,691	2,963	—	61,995
		Top 50 Home Center Companies	**9,511**	7,931	+ 20	**12,671**	10,185	+ 24	**75**	78	**3,614**	3,545	3,837	—	73,408
		Top 100 Home Center Companies	**10,587**	8,852	+ 20	**14,329**	11,596	+ 24	**74**	76	**4,259**	4,204	4,490	—	82,922
		TOTAL —All Lumber & Building Material Retailers[13]				**37,662**	30,574	+ 23			**24,600**	**23,950***			
		TOTAL RETAIL INDUSTRY SALES (Building Material, Hardware & Supply Dealers)[14]				**52,823**	44,708	+ 18			**53,600**	**52,210***			

All figures from annual reports, company officials, *NHCN* research based on market and industry data and Chain Store Guide—Directory of Home Center Operators & Hardware Chains.

List includes retail companies whose primary business is the sale of lumber, building materials, hardware and home improvement products. Ranking based first on cash and carry (DIY) sales volume; second, in cases where volumes are equal, on total sales.

Nineteen eighty-two DIY rank based on figures and data available in May 1983. Those companies not ranked (NR) for 1982 are ones either founded in 1983; whose growth resulted in DIY ranking for 1983, or whose product mix changed to meet the definition of home center retailer.

*—*NHCN* estimate
NA—Not available
NR—Not ranked

SKU—Stock keeping units (K-thousand)

[1] Payless Cashways (#2)—does not include results from Somerville Lumber, Hugh M. Woods and Wood Bros. Lumber, acquired in late 1983/early 1984.

[2] Lanoga (#20)—does not include results from Peavey, Minneapolis, acquired in 1984.

[3] Lumbermen's of Washington, division of Lanoga (#20)—includes 1983 sales from stores purchased by Lanoga from Williamette Industries, Portland, Ore., in February 1983.

[4] Diamond Lumber (#25)—operated under Diamond International, New York, until Michigan General, Dallas, purchased it in September 1983.

[5] Hugh M. Woods (#26)—acquired by Payless Cashways, Kansas City, Mo., in January 1984.

[6] Homecrafters Warehouse (#43)—formerly Homecrafters Centers.

[7] Edward Hines Lumber (#46)—does not include results from Kindt, Lomira, Wis., acquired in April 1984.

[8] Somerville Lumber (#47)—acquired by Payless Cashways, Kansas City, Mo., in March 1984.

[9] Peavey (#54)—acquired by Lanoga, Seattle, in 1984.

[10] Kindt (#74)—acquired by Edward Hines Lumber, Chicago, in April 1984.

[11] Home-Pro Warehouse (#99)—began operations in May 1983.

[12] Wood Bros. Lumber (#100)—acquired by Payless Cashways, Kansas City, Mo., in December 1983.

13 - Source: Commerce Department Revised Monthly Retail Sales and Inventories, March 1984, for SIC group 521 lumber, building material and home center stores only.

14 - Source: Commerce Department, for SIC group 521, 523, 525 building material, supply and hardware stores.

Nineteen eighty-four store projection totals assumed for companies where figures were unavailable that there would be an equal number of stores open in 1984 as in 1983.

THE NHCN TOP 100 TOTAL SALES

Rank	Companies	TOTAL SALES (millions $)			% DIY	Total stores
		'83	'82	% change	'83	'83
1	**Lowe's,** No. Wilkesboro, N.C.	1,431	1,034	+ 38	51	238
2	**W. R. Grace,** New York (incl. Angels, Cashway, Channel, Handy City, Handy Dan, House Works, Orchard)	1,025	875	+ 17	95	286
3	**Evans Products,** Portland, Ore. (incl. Alamo, Grossman's, Hubbard & Johnson, Lindsley, Moore's)	928	790	+ 17	85	345
4	**Payless Cashways[1],** Kansas City, Mo.	864	603	+ 43	95	118
5	**Wickes Cos.,** Santa Monica, Calif. (incl. Wickes Lumber, Builders Emporium)	814	746	+ 9	57	282
6	**84 Lumber,** Eighty-Four, Pa.	690	600	+ 15	60	374
7	**Boise Cascade,** Boise, Idaho	440	310	+ 42	40	85
8	**Sutherland Lumber,** Kansas City, Mo.	423	345	+ 23	90	82
9	**Scotty's,** Winter Haven, Fla.	399	324	+ 23	68	105
10	**Hechinger,** Landover, Md.	310	241	+ 28	100	41
11	**Diamond Lumber[2],** Sacramento, Calif.	306	244	+ 25	30	97
12	**Lanoga[3],** Seattle (incl. Lumbermen's Spenards, United Building Centers)	303	218	+ 39	45	127
13	**Rickel Home Centers,** So. Plainfield, N.J.	275	224	+ 23	100	36
14	**The Home Depot,** Atlanta	256	118	+118	100	19
15	**Ernst Home Center,** Seattle (incl. Von Tobel's)	255	230	+ 11	100	72
16	**Pay 'N Pak,** Kent, Wash.	250	187	+ 33	100	100
17	**Handyman,** San Diego (incl. Homer's)	240	200	+ 20	100	77
18	**Menards,** Eau Claire, Wis.	228	200	+ 14	85	21
19	**Ole's Home Centers,** Pasadena, Calif.	215	188	+ 14	100	35
20	**Central Hardware,** Bridgeton, Mo.	200	180	+ 11	100	30
21	**West Building Centers,** Atlanta	180	157	+ 15	75	65
22	**McCoy's Building Supply Centers,** San Marcos, Tex.	165	129	+ 28	80	50
23	**Pergament Home Centers,** Melville, N.Y.	160	140	+ 14	100	42
24	**Erb Lumber,** Birmingham, Mich.	137	97	+ 41	50	36
25	**Weyerhaeuser,** Tacoma, Wash. (incl. Dixieline Lumber, Everitt Lumber, Fisher Lumber)	130	120	+ 8	64	11
26	**Forest City,** Cleveland	128	117	+ 9	98	20
27	**Carter-Jones Lumber,** Kent, Ohio	120	100	+ 20	55	136
—	**Foxworth-Galbraith Lumber,** Dallas	120	70	+ 71	40	49
29	**National Lumber,** Santa Ana, Calif.	114	98	+ 17	100	12
30	**Wolohan Lumber,** Saginaw, Mich.	112	89	+ 26	60	35
31	**O'Malleys,** Phoenix	110	65	+ 69	35	19
32	**Homecrafters Warehouse[4],** Birmingham, Ala.	104	66	+ 57	45	36
33	**Hugh M. Woods[5],** Denver	95	86	+ 10	90	14
34	**Busy Beaver,** Pittsburgh	87	76	+ 14	75	30
35	**Great Plains Supply,** St. Paul, Minn.	85	110	− 23	60	92
—	**Handy Andy Home Improvement Centers,** Gurnee, Ill.	85	68	+ 31	98	13
37	**Knox Lumber,** St. Paul, Minn.	84	71	+ 19	95	9
38	**Edward Hines Lumber[6],** Chicago	83	60	+ 40	50	25
39	**American Maize Products,** Stamford, Conn. (incl. Buchanan Lumber, Lloyd Home & Building Centers)	81	77	+ 5	64	39
40	**Big Tin Barn,** Diboll, Tex.	80	80	0	15	6
41	**Copeland Lumber Yards,** Portland, Ore.	80	75	+ 7	55	80
42	**Lampert Lumber,** St. Paul, Minn.	76	65	+ 17	66	47
43	**Hill-Behan,** St. Louis	75	60	+ 25	50	32
44	**Charles Meek Lumber,** Springfield, Mo.	73	57	+ 28	30	20
45	**Anderson Lumber,** Ogden Utah	70	50	+ 40	33	22
46	**Seacoast Building Centers,** Conway, S.C.	65	48	+ 35	20	9
—	**The Terry Companies,** Tarzana, Calif.	65	50	+ 30	18	9
48	**Neiman-Reed's Lumber City,** Van Nuys, Calif.	63	55	+ 15	95	12
49	**Strober Bros.,** Brooklyn, N.Y.	61	40	+ 53	35	8
—	**Walker-Kurth,** Houston	61	45	+ 36	50	6
51	**Valu Home Centers,** Buffalo, N.Y.	58	53	+ 9	100	22
52	**Orscheln Farm & Home Supply,** Moberly, Mo.	55	55	0	98	61
53	**A. C. Houston Lumber,** Wichita, Kansas	52	48	+ 8	35	11
54	**Alexander Lumber,** Aurora, Ill.	50	40	+ 25	35	60
—	**Courtesy Home Centers,** Mount Prospect, Ill.	50	35	+ 43	100	4
—	**Peavey[7],** Minneapolis	50	60	—	67	23
—	**Star Lumber,** Wichita, Kan.	50	37	+ 35	41	3
—	**Westlake Hardware,** Moberly, Mo.	50	35	+ 43	91	26
59	**Cox Lumber,** St. Petersburg, Fla.	48	40	+ 20	25	11
—	**Peter Kuntz,** Dayton, Ohio	48	48	0	50	24
61	**Somerville Lumber[8],** Somerville, Mass.	47	34	—	85	2
—	**Stambaugh—Thompson,** Youngstown, Ohio	47	38	—	100	20
63	**Calcasieu Lumber,** Austin, Tex.	45	30	+ 50	1	1
64	**Causeway Lumber/Red Thumb Home Centers,** Fort Lauderdale	42	28	+ 50	25	4
65	**Church's Lumber Yards,** Utica, Mich.	40	32	+ 25	75	12
—	**Fullerton Lumber,** Minneapolis	40	31	+ 29	40	50
—	**Kindt[9],** Lomira, Wis.	40	30	+ 33	50	7
—	**Lampert Yards,** St. Paul, Minn.	40	50	− 20	60	31
—	**M. G. Building Materials,** San Antonio, Tex.	40	30	+ 33	40	2
70	**Warners True Value,** St. Paul, Minn.	38	35	+ 9	95	23
—	**Goodman Lumber,** San Francisco	38	30	+ 27	100	5
72	**Chase-Pitkin,** Rochester, N.Y.	37	30	+ 23	95	11
73	**Brown-Graves,** Akron, Ohio	36	30	+ 20	15	4
74	**Elk Supply,** Clinton, Okla.	36	20	+ 80	65	18
—	**The Paty Company,** Piney Flats, Tenn.	36	31	+ 16	55	6
76	**Brewster's,** Providence, R.I.	35	32	+ 9	60	4
—	**Metz Lumber,** Lakewood, Colo.	35	29	+ 21	10	3
—	**Scott's,** Linthicum, Md.	35	28	+ 25	98	17
—	**Williams Bros.,** Atlanta	35	30	+ 17	50	9
80	**Martin Home Centers,** Alexandria, La.	34	34	0	35	9
81	**Ganahl Lumber,** Anaheim, Calif.	32	30	+ 7	20	4
82	**City Mill,** Honolulu	30	24	+ 25	90	4
—	**Crissey Fowler,** Colorado Springs, Colo.	30	24	+ 25	15	1
—	**Eclipse Industries,** St. Louis	30	25	+ 20	100	7
—	**Homeowners Do-It-Yourself Centers,** Gardena, Calif.	30	28	+ 7	100	5
—	**Mid-Cape Centers,** Orleans, Mass.	30	24	+ 25	20	9
—	**Robertson Cos.,** Grand Forks, N.D.	30	28	+ 7	45	31
—	**T. H. Rogers Lumber,** Oklahoma City, Okla.	30	29	+ 3	65	32
89	**Elgin Lumber,** Elgin, Ill.	29	19	+ 53	40	6
—	**Plywood Minnesota,** Minneapolis, Minn.	29	31	− 6	75	10
91	**Babbitt Bros.,** Flagstaff, Ariz.	28	24	+ 17	40	6
—	**Curtis Lumber,** Ballston Spa, N.Y.	28	22	+ 27	65	6
93	**Panning Lumber & Supply,** Orlando, Fla.	27	22	+ 23	10	6
—	**Braver Lumber,** Detroit	27	26	+ 4	85	12
95	**Lezzer Lumber,** Curwensville, Pa.	26	20	+ 30	70	5
—	**J.T.'s Home & Builders Centers,** Middletown, R.I.	26	20	+ 30	40	5
—	**Mr. Goodbuys,** Philadelphia	26	20	+ 30	100	4
98	**Plywood Ranch,** Braintree, Mass.	25	23	+ 9	95	19
—	**E. C. Barton & Co.,** Jonesboro, Ark.	25	22	+ 14	20	27
—	**Gee Lumber,** Chicago	25	25	0	80	13
—	**L-P Home Centers,** Huntington Beach, Calif.	25	25	0	70	7
TOP 10		7,324	5,868	+ 25	73	1,956
TOP 25		10,624	8,500	+ 25	76	2,774
TOP 50		12,801	10,278	+ 25	72	3,554
TOP 100		14,651	11,847	+ 24	71	4,237
TOTAL SALES—All Lumber & Building Material Retailers		37,662	30,574	+ 23	—	24,600
TOTAL RETAIL INDUSTRY SALES (Building Material, Hardware & Supply Dealers)		52,823	44,708	+ 18	—	53,600

All figures from annual reports, company officials, *NHCN* research based on market and industry data and Chain Store Guide—Directory of Home Center Operators & Hardware Chains.

List includes retail companies whose primary business is the sale of lumber, building materials, hardware and home improvement products, ranked by total sales, and then alphabetically in cases where sales are equal.

[1] Payless Cashways (#4)—does not include results from Somerville Lumber, Somerville, Mass., Hugh M. Woods, Denver, and Wood Bros. Lumber, Tucson, Ariz., acquired in late 1983/early 1984.

[2] Diamond Lumber (#11)—operated under Diamond International, New York, until Michigan General, Dallas, purchased it in September 1983.

[3] Lanoga (#12)—does not include results from Peavey, Minneapolis, acquired in 1984.

[4] Homecrafters Warehouse (#32)—formerly Homecrafters Centers.

[5] Hugh M. Woods (#33)—acquired by Payless Cashways, Kansas City, Mo., in January 1984.

[6] Edward Hines Lumber (#38)—does not include results from Kindt, Lomira, Wis., acquired in April 1984.

[7] Peavey (#54)—acquired by Lanoga, Seattle, in 1984.

[8] Somerville Lumber (#61)—acquired by Payless Cashways, Kansas City, Mo., in March 1984.

[9] Kindt (#65)—acquired by Edward Hines Lumber, Chicago, in April 1984.

House Works born, Channel grows in year of Grace

NEW YORK—W. R. Grace last year remained the No. 1 company in the home center industry in DIY sales, which totaled $973 million, a 16% gain from the $840 million posted in 1982.

It was a year of trauma for Grace, with the abrupt departure in March of the home center division president and other top executives, but a year of opportunity as well. Grace launched a new chain, House Works, simultaneously with those events.

GRACE

A warehouse-type home center operation with seven outlets in New Orleans and Sarasota, Fla., House Works represented the first time that Grace developed, rather than acquired, a new chain.

More characteristically, the $6.2 billion chain spent part of the year again tinkering with the regional organization of several of its chains as it continued the digestion of the six operations it has acquired since the mid-1970's.

In fact, only weeks before opening the first House Work stores in New Orleans, Grace consolidated its Handy Dan and Handy City chains into a Central region, which now includes House Works as well, with a combined total of 131 stores headquartered in San Antonio.

As House Works opened, several of its key architects, led by home center division president Frank Denny, left the company to form their own warehouse-type operation, Home-Pro, which opened in the spring in San Antonio against Grace's Handy Dan and amid legal threats from Grace.

With Denny's departure, the home center division was dissolved as a separate corporate entity. In August it was absorbed into Grace's specialty retailing group headed by executive vp Edward Tutun.

It is not clear how House Works is now fairing. Following early out-of-stock problems, an *NHCN* sponsored study last summer showed that, along with The Home Depot, House Works in a short time had gotten the message across to New Orleans DIYers that warehouse home centers are an exciting place to shop.

Meanwhile, the battle between Home-Pro and Handy Dan for the hearts of San Antonio continued. Both the New Orleans and San Antonio battles revealed that Grace was not slumbering.

After several years of delay because of the poor economy and site-selection problems, 98-store Channel invaded Washington with an initial four suburban stores, the first two of which opened Sept. 1, just days before Hechinger opened its 20th metro-Washington unit.

Realizing that going against hometown Hechinger would not be easy, Channel did not just open typical stores. Instead it unveiled modified warehouse-type units that promised and delivered low prices. Hechinger was forced to make a price statement as well.

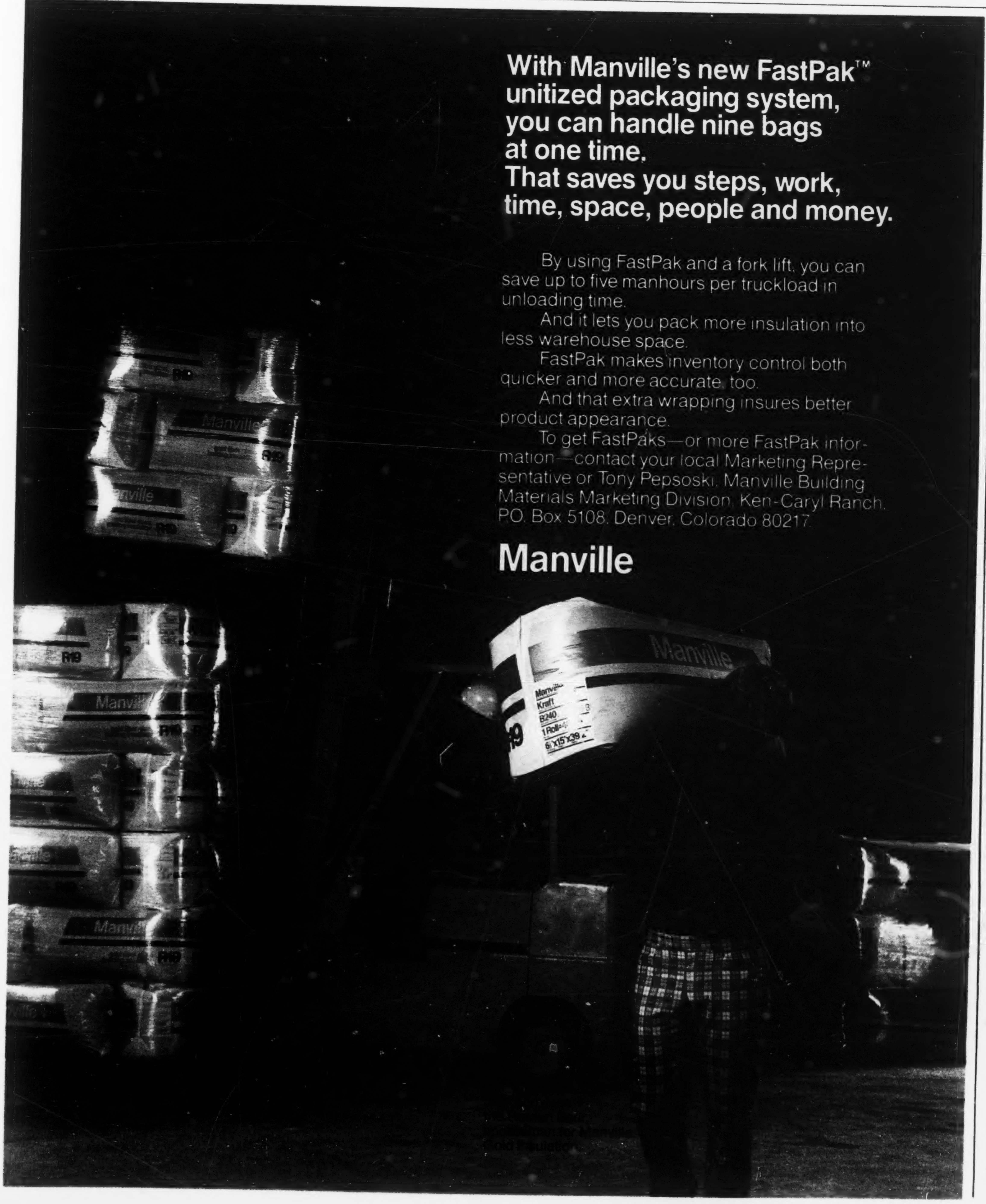
Channel followed up its Washington debut this year with a new chainwide low-price policy and plans to hit Hechinger again, this time with a multistore attack in Baltimore.

Channel was not alone among Grace chains in its aggressiveness. On the opposite coast, in northern California's Silicon Valley, 18-store Orchard was not invading new markets, but it opened several units and with great enterprise fortified its own operation against increasing competition.

After years of delay, Channel invaded the Washington, D.C., market last September.
NHCN photo

With 60,000 stock keeping units, including many obscure, hard-to-get items, Orchard is a super hardware store where, management admits, customers often shop for their repair needs rather than their larger-ticket, remodel projects.

The company is in the midst of a reassessment aimed at attracting more of the big-ticket sales without losing its long-time customers and strong image in the San Jose area.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Manville

Top 100 line up

Companies	DIY Rank	Total Sales Rank
Alamo Enterprises	3	3
Alexander Lumber	83	54
All American Home Center	66	NR
American Maize Products	37	39
Anderson Lumber	65	45
Angels	1	2
Babbitt Bros.	NR	91
Bailey Lumber	93	NR
Big Tin Barn	NR	40
Boise Cascade	18	7
Braver Lumber	69	NR
Brewster's	73	76
Brown-Graves	NR	73
Buchanan Lumber	37	39
Budget Power	78	NR
Builderama	90	NR
Builder's Emporium	5	5
Busy Beaver	33	34
Calcasieu Lumber	NR	63
Carter-Jones Lumber	32	27
Cashway	1	2
Causeway Lumber/ Red Thumb	NR	64
Central Hardware	16	20
Channel Home Centers	1	2
Chase-Pitkin	52	72
Church's Lumber Yards	56	65
City Mill	60	82
M. L. Claster & Sons	98	NR
Copeland Lumber Yards	45	41
Courtesy Home Centers	40	54
Cox Lumber	NR	59
Crissy Fowler	NR	82
Curtis Lumber	85	91
Diamond Lumber	25	11
E. C. Barton & Co.	NR	97
Eclipse Industries	57	82
84 Lumber	6	6
Elk Supply	59	74
Elgin Lumber	NR	89
Erb Lumber	30	24
Ernst Lumber	12	15
Evans Products	3	3
Forest City	23	26
Foxworth-Galbraith	41	27
Fullerton Lumber	91	65
Ganahl Lumber	NR	81
Gee Lumber	76	97
Goodman Lumber	50	70
W. R. Grace	1	2
Great Plains Supply	38	35
Grossman's	3	3
Handy Andy Home Improvement Centers	28	35
Handy City/Handy Dan/ House Works	1	2
Handyman	14	17
Hechinger	8	10
Hill-Behan	49	43
Edward Hines Lumber	46	38
The Home Depot	11	14
Homecrafters	42	32
Homeowners DIY Centers	58	82
Home-Pro Warehouse	99	NR
A. C. Houston Lumber	82	53
Hubbard & Johnson	3	3
Hughes Lumber	88	NR
J. T. Home & Building Centers	NR	94
Jaeger Lumber	89	NR
Kindt	74	65
Knox Lumber	29	37
Peter Kuntz	62	59

(Continued on page 53

Lumberjack deal whets Payless' appetite for growth

KANSAS CITY, Mo.—Nineteen eighty-three was The Year of the Acquisitions for Payless Cashways here, as the company appeared willing to buy just about any available chain or independent that fit into its stores' profile.

The chain made three separate acquisitions last year, with a combined price tag of $35 million to $40 million, that added 11 stores to existing markets. In addition, Payless spent another $36 million to build, stock and open 10 of its own stores.

Payless Cashways INC.

By increasing its store count by one-fifth to 121 units in 1983, and by implementing a more highly defined marketing and merchandising strategy that emphasized better-quality goods sold at everyday low prices, Payless enjoyed the most successful year in its 53-year history.

Its sales jumped 44% to $864 million (of which 95% were DIY sales), and its earnings skyrocketed 50% to $35 million. The company has strengthened its hold on the Dallas, Indianapolis, Houston, Denver and Sacramento, Calif., markets, and its goal is to achieve "market dominance" in every region it operates, according to company president David Stanley.

The year started off with a bang when Payless bought the seven-unit Lumberjack Stores in Sacramento for about $27 million. This acquisition gave the chain a thirst for growth that has yet to be quenched.

Over that 12-month period, Payless also bought the single-unit Morrison Building Supply in Salina, Kan.; the three-unit Wood Brothers in Tucson, Ariz., and, for $71 million, the 14-unit Prime Home Centers in Denver (an acquisition that actually took place shortly after its fiscal year closed).

The company makes no secret about its intentions to gobble up market share with its buying clout, and already in 1984 it has purchased the powerful Somerville Lumber independent in Massachusetts for more than $40 million, its first foray into the East Coast. Payless also plans to build 19 or more of its own units in 10 markets in 1984.

The company's resounding success last year, however, cannot be attributed solely to its physical expansion. Payless has taken any number of internal steps to "professionalize" its operations in virtually every department by adding more skilled personnel and depending more on precise market data on which to base decisions.

In the personnel area, Payless has sought to decentralize to a greater degree at the corporate level: it brought on a new director of transportation and distribution, Mike Spada, from W. R. Grace; Steve Porter was promoted into the new position of senior merchandise manager-general products; Brad Bright joined the company as its new store design director and Jim Neustadt was named its first director of advertising.

Under vp-marketing Dale Pond, advertising and promotion played a key role in Payless' success last year, which Pond attributed directly to the better use of market research data and "vertical integration" of radio television ads with newspaper and direct mail support.

President David Stanley: "Market dominance" is the goal. NHCN photo

The advertising campaign was augmented by a revamped merchandising tack that continued to stress low-price, but offered much higher-quality products in nearly every category. The chain saw especially good sales in ceiling fans, plumbing and telephone accessories.

Payless' merchandising and marketing plans will be enhanced this year also, as its computerized inventory control system is incorporated into more of the company's distribution centers and stores, which company officials estimate will be complete in 1986.

How the NHCN Top 100 line up

(Continued from page 50)

Companies	DIY Rank	Total
Lampert Lumber	39	42
Lampert Yards	63	65
Lanoga	20	12
Levy's Lumber & Building	95	NR
Lezzer Lumber	86	94
Lindsley	3	3
Lloyd Home & Building Centers	37	39
L-P Home Centers	87	97
Lowe's	4	1
Lumbermen's	20	12
Martin Home Centers	NR	80
McCoy's Building Supply Centers	22	22
Charles Meek Lumber	67	44
Menards	17	18
Metz Lumber	NR	76
Mid-Cape Centers	NR	82
M. G. Building Materials	92	65
Moore's	3	3
Mr. Goodbuys	61	94
National Lumber	24	29
Neiman-Reed's Lumber City	34	48
O'Malleys	48	31
Ole's Home Centers	15	19
Orchard Supply	1	2
Orcheln Farm & Home Supply	36	52
Paty Lumber	80	74
Payless Cashways	2	4
Pay 'N Pak	13	16
Peavey	54	54
Pergament Home Centers	19	23
Plywood Minnesota	68	89
Plywood Ranch	64	97
Rickel Home Centers	9	13
Robertson Cos	97	82
T. H. Rogers Lumber	75	82
Sackett & Peters	70	NR
Samon's DIY Centers	81	NR
Scott's	53	76
Scotty's	10	9
Seacoast Building Centers	NR	46
Somerville Lumber	47	61
Spenard's	20	12
Stambaugh-Thompson	43	61
Star Lumber	72	54
Strober Bros	71	49
Sutherland Lumber	7	8
TAPJAC	94	NR
The Terry Cos.	NR	46
Thurman Industries	79	NR
United Building Centers	20	12
Valu Home Centers	35	51
Walker-Kurth Lumber	55	49
Warners True Value	51	70
West Building Materials Centers	21	21
Westlake Ace Hardware	44	54
Weyerhaeuser	27	25
Wickes Cos	5	5
Wickes Lumber	5	5
Williams Bros. Lumber	84	76
Wolohan Lumber	31	30
Wood Bros. Lumber	100	NR
Hugh M. Woods	26	33
Ziegler Building Centers	96	NR
Z&L Lumber	77	NR

Subsidiaries are ranked by parent company
NR—Not ranked

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Retail group shining star in Evans' slumping portfolio

MIAMI—It was a "good news, bad news" year for Evans Products as it attempted to recoup from losses in several of its businesses, despite continued strong sales from its retail group.

Evans' home center chains, with 345 stores, saw their combined sales improve more than 17% over 1982 to $927.8 million, with operating income increasing to $69.6 million, a 24% gain.

But as a corporation, Evans was mired in debt in 1983, and its efforts to raise cash by selling off its profitable retail group found no buyers, although Scotty's was reportedly interested in Evans' Lindsley chain early last year. Consequently, Evans decided last June to spin off the group into a separate, publicly held company, in which it would retain a 20% interest.

EVANS
PRODUCTS COMPANY

However, the financial condition of the parent company, coupled with major corporate management changes, placed the spin off in jeopardy. Up until last month, Evans' lenders, which are owed more than $475 million in secured debt, were reportedly opposed to the spin off (*NHCN*, April 23).

In December, 1982, the company terminated its custom homes division, and has most recently sold off its Shelter and Fiber Products Groups for a combined $75 million to two companies owned by Victor Posner, the Miami financier (*NHCN*, April 9). It is also currently in the process of selling part of its home loan portfolio to raise another $22 million.

In fact, Evans last year was all set to merge with Posner's Sharon Steel Co., which owns 43.2% of Evans, and had received Internal Revenue Service approval for the merger, until its lenders blocked the deal.

Instead, Evans' board of directors elected Posner as the company's new chairman, president and ceo, replacing Monford Orloff, who had been Evans' chairman since 1964. Orloff remained its chief operating officer.

Company observers have found Posner's method of running Evans somewhat imponderable, especially considering the dire financial straits it is in. Once Posner became chairman, he named his son, Steven, and his daughter, Tracy, as vice presidents, leading some on Wall Street to believe he was attempting to lower Evans' stock price even further so he could buy the company outright. Evans' officials have dismissed this as speculation.

In addition, Posner had reportedly been delaying payment to retail vendors for merchandise shipped to the home centers, leading some suppliers to worry about the viability of the chains and the company as a whole.

No vendors have complained of not being paid eventually for their goods. As for the spin off, company officials state it will happen once the stock market shows a bit more strength toward investment in home improvement companies.

Evans' recent tumultuous financial history ironically has spurred some renewed life into its retail group, which in the past has had a staid reputation. Last May, the company broke out of its shell and embarked on a new retail venture in, appropriately enough, Ventura, Calif., where it opened its 80,000-sq.-ft. "Grossman's Building Materials Warehouse."

Retail group president Maurice (Mike) Grossman: "We want to take the newest things we learn and put them into all our stores."

NHCN photo

This unit stocks only 6,500 stock keeping units and emphasizes everyday low prices in its advertising. It also caters to the professional contractor through its "Wholesale Club" discount membership, allowing "qualified" customers paying $25 per year to shop the store two hours before it opens to the public. At the end of the year, these customers receive a 2% refund on purchases exceeding $2,500.

"What you're seeing is our latest thinking," said retail group president Mike Grossman. "We want to take the newest things we learn [at Ventura] and put them into all our stores."

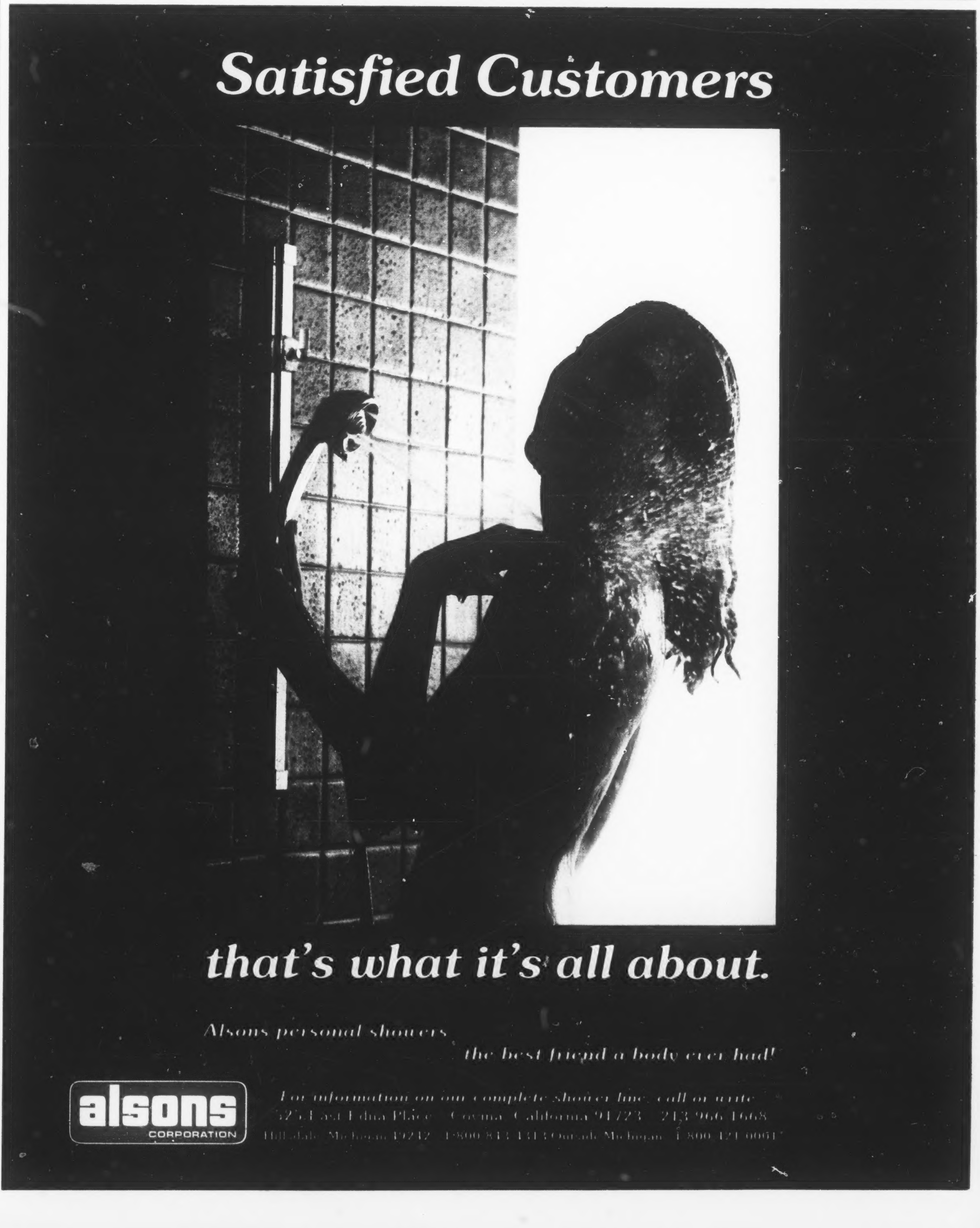
25 biggest gainers in DIY volume

Rank	Companies	Dollar increase ($ millions)
1	Payless Cashways	248
2	Lowe's	153
3	The Home Depot	138
4	W. R. Grace	134
5	Evans Products	93
6	Sutherland	70
7	Hechinger	69
8	Pay 'N Pak	63
9	84 Lumber	54
10	Rickel Home Centers	51
11	Handyman	40
—	Lanoga	40
13	McCoy's Building Supply	29
14	Ole's Home Centers	27
15	Ernst Home Centers	25
16	Menards	24
17	Scotty's	22
18	Boise Cascade	21
19	Central Hardware	20
—	Pergament Home Centers	20
21	Handy Andy Home Improvement Centers	19
22	West Building Materials	17
23	Elk Supply	16
—	National Lumber*	16
25	Courtesy Home Centers	15

*based in Santa Ana, Calif.

Source: *NHCN*'s Top 100—DIY sales; figures based on cash and carry/DIY business only, not total retail sales, which would include contractor sales.

Payless Cashways, Kansas City, Mo., dominated the home center companies in terms of raw dollar gains in DIY volume with $248 million more in consumer sales in 1983 than in 1982. Payless capitalized essentially on store growth including the acquisition of seven-unit Lumberjack, Sacramento, Calif., as well as sales increases at existing stores. Lowe's realized growth in DIY sales from its RSVP sales floor design in effect in more than half of its stores. The Home Depot realized strong store-for-store gains in its Atlanta and Florida markets, but also added volume with its move to Phoenix, to record a $138 million increase in DIY sales. W. R. Grace posted a $134 million gain in DIY sales.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Consumer thrust powers billion-dollar-a-year Lowe's

NORTH WILKESBORO, N.C.—After reaching record sales of $1 billion in 1982, Lowe's had a 38% sales increase to $1.4 billion last year, with a 101% net earnings increase to $50.6 million from 1982's $25.1 million.

The record earnings and sales resulted from Lowe's consumer-oriented merchandising thrust—involving changing store layouts to its RSVP format, increasing the number of stock keeping units and raising margins—as well as to the upturned economy last year.

LOWE'S
Companies, Inc.

By strategically repositioning itself in the marketplace, Lowe's not only capitalized on last year's burgeoning housing market, but continued its strong swing into the DIY market. It had its third consecutive year with more than 50% of sales attributable to consumers rather than professional builders.

Last spring, Lowe's announced the second phase of its remerchandising program, which is expected to extend into 1985. It involves increasing retail floor space by 20% this year, increasing sku's by a third, expanding its number of stores by at least 5% of its 1983 total of 238 stores, and adding larger stores without lumberyards, to the chain.

Based on its experience with the RSVP format used since 1980 in many units, the new plan consists of a three-tier program:

- Lowe's expects that about 100 of its 137 stores using the RSVP format will be converted to the "Super Retro-fit" format. This layout plan enables stores to double their retail floor space and increase their sku's from 9,200 to 13,000 or 14,000.

Most of Lowe's stores are under 15,000 sq. ft.—95 are under 10,000 sq. ft.—but the other two formats require larger store sizes. In order to attract consumers, the chain's executives feel that larger merchandise selections and more floor space to adequately display the product, are necessary.

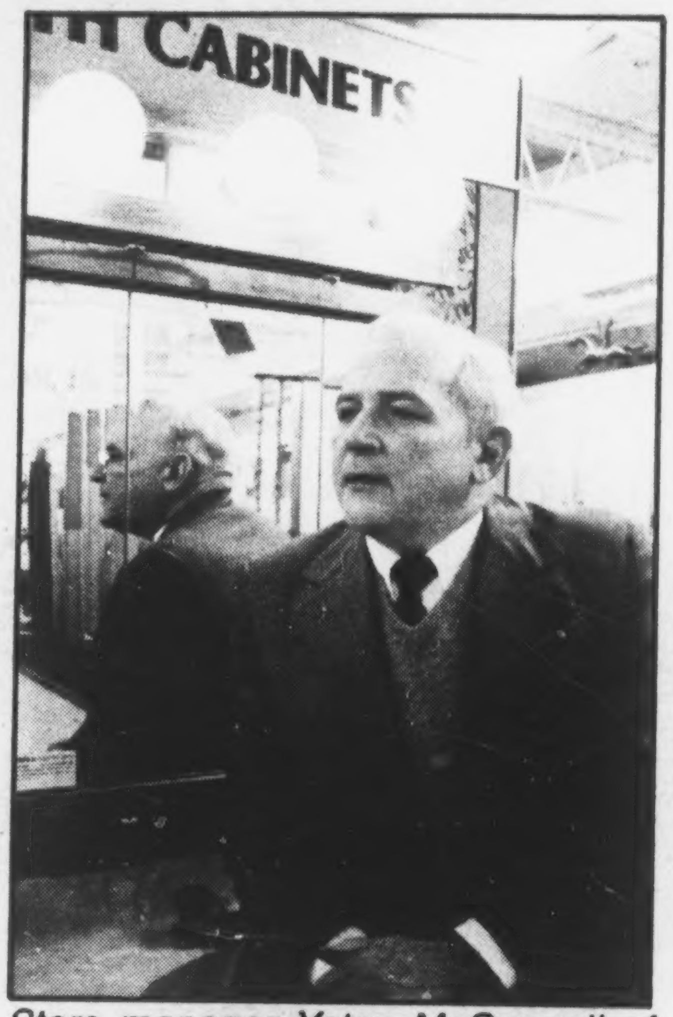
- The "Super Prototype" format is for stores in the 14,000-sq.-ft. to 20,000-sq.-ft. range. In 1983's third quarter, six stores were under construction, with the Mauldin, S.C., store being the first to open, on Nov. 18.
- Also, stores in the 20,000-sq.-ft. to 30,000-sq.-ft. range are planned, and will be Lowe's first stores without adjacent lumberyards. Designed under the "Super Cluster Format," they will only be located in high density markets, and are expected to have a customer base that is 90% DIYer.

Locations named

Three of the stores under construction in November are 14,000 sq. ft., and are located in Griffin, Ga., New Iberia, La., and Springdale, Ark.; while the other three, including the Mauldin store, are 20,250 sq. ft. They are located in Douglasville, Ga., and Wise County, Va.

In addition, four Homecrafters units in Nashville, Tenn.—averaging 20,000 sq. ft.—were acquired in January as part of Lowe's 5% store growth count.

The country's largest home improvement retail chain in terms of total sales, Lowe's ranked No. 4 on *NHCN*'s Top 100 list in DIY sales.



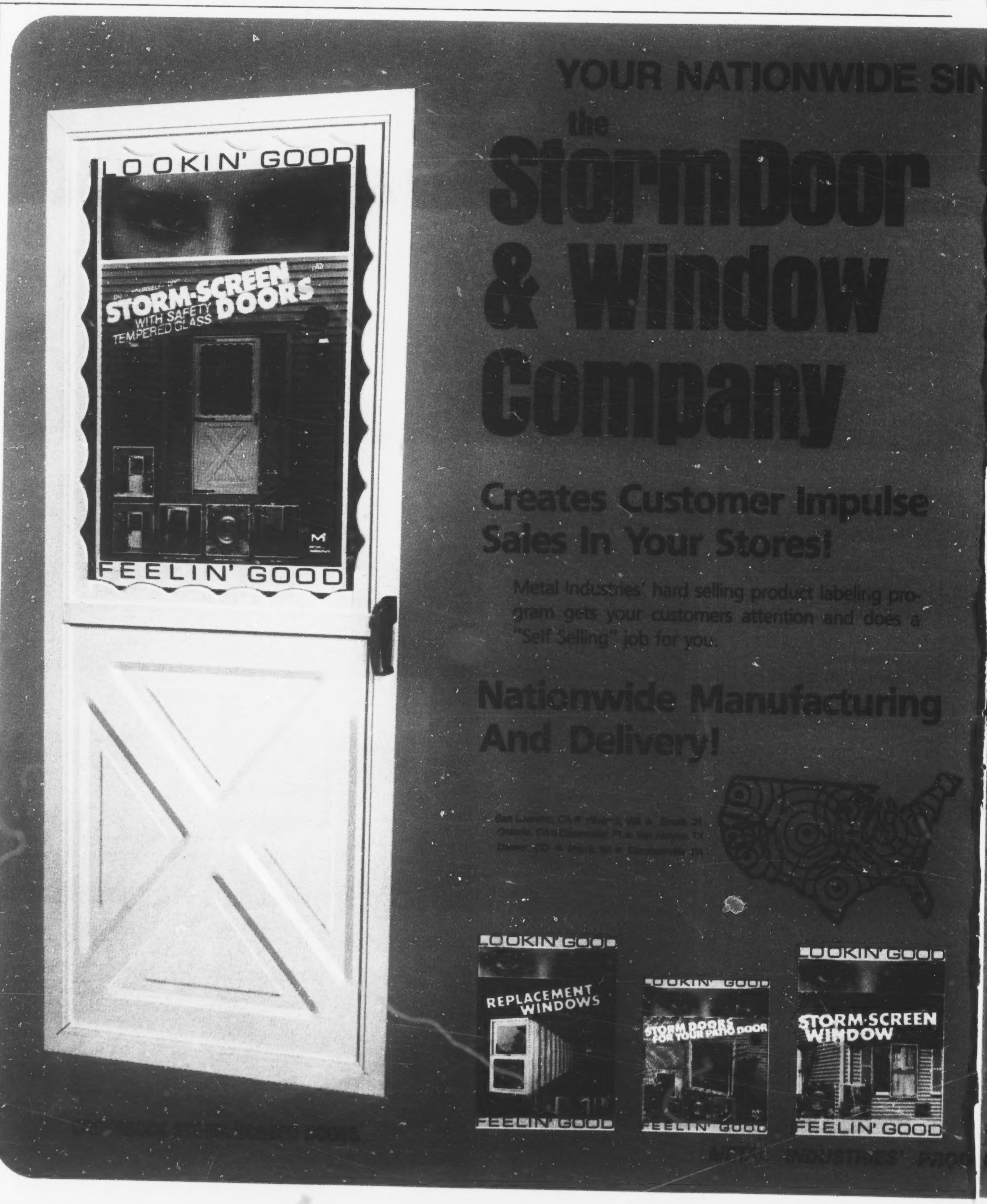
Store manager Yates McConnell of Lowe's North Pleasantburg, S.C., store—a unit that exemplifies Lowe's consumer-oriented thrust with its RSVP format. NHCN photo

25 biggest gainers in retail volume

Rank	Companies	Dollar increase ($ millions)
1	Lowe's	397
2	Payless Cashways	261
3	W. R. Grace	150
4	Evans Products	138
—	The Home Depot	138
6	Boise Cascade	130
7	84 Lumber	90
8	Lanoga	85
9	Sutherland	78
10	Scotty's	75
11	Hechinger	69
12	Wickes	68
13	Pay 'N Pak	63
14	Diamond Lumber	62
15	Rickel Home Centers	51
16	Foxworth-Galbraith Lumber	50
17	O'Malleys	45
18	Erb Lumber	40
—	Handyman	40
20	Homecrafters Warehouse	38
21	McCoy's Building Supply	36
22	Menards	28
23	Ole's Home Centers	27
24	Ernst Home Centers	25
25	Edward Hines Lumber	23
—	West Building Materials	23
—	Wolohan Lumber	23

Source: *NHCN*'s Top 100—Total Sales

Lowe's took advantage of the rebound in home construction and the maturing of its RSVP sales floor design in more than half of its units to post the largest increase in actual dollars in 1983 for total volume. Its $397 million increase in 1983 from 1982 was more than $100 million better than Payless Cashways, which recorded a $261 million total increase, thanks in part to its aggressive expansion policy. The Home Depot's nine additional stores in 1983 helped carry it to a $138 million sales gain. Such companies as Boise Cascade and Lanoga, like Lowe's, were buoyed by home construction activity, rather than new store additions.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Wickes Cos.: Emerging from the valley of Chapter 11

SANTA MONICA, Calif.—When Wickes chairman Sanford Sigoloff addressed the National Home Center Show in Dallas in February last year, he and members of his entourage showed up wearing buttons declaring, "This Team Wins."

Twelve months later they could argue that the prediction had, in fact, come true. Wickes, in Chapter 11 since April 1982, reached agreement in principle with its creditors in February.

And for the year ended Jan. 28, the company reported a profit of $24.8 million on sales of $2.9 billion, compared with a loss of $248.7 million a year earlier on sales of $2.6 billion.

When Sigoloff spoke at the 1983 National Home Center Show, he told the audience that the company had emerged from the "valley of crisis management" and that the task ahead was that of running the new, slimmed-down Wickes.

Among the companies he had in mind were both Wickes Lumber and Builders Emporium, which survived as core businesses of the conglomerate, now much trimmer than the $4 billion in sales it was doing prior to its financial difficulties.

Wickes Lumber, for example, had been pared to 285 stores from 340 in 1981. To better run that business, Wickes Lumber headquarters was moved from Saginaw, Mich., to Vernon Hills, Ill., a Chicago suburb, to provide easier access for vendors. Simultaneously, existing Wickes units were refurbished and a strategic decision was made to concentrate on builder sales, since most Wickes Lumber outlets were in poor retail locations.

As part of the decision to appeal to builders, Wickes management pursued development of an in-store computer system to aid builders in translating their plans into lumber and building materials shopping lists.

Chainwide computerization was also an important accomplishment at Builders Emporium, which opened its first new store in several years and launched a new super store format in which traditional Builders Emporiums orbit around a new large, warehouse-type BE outlet.

Builders Emporium did an estimated $182 million in sales last year compared with $170 million in 1982. It operated 56 stores at year end and may four more units this year.

Wickes Lumber had estimated total sales of $632 million in 1983 compared to $576 million a year earlier. Of last year's sales, about $284 million was to DIYers.

Taken together, sales for Wickes Cos. 282 lumber and building material outlets was $814 million, up 9% from a year ago. The DIY portion of that volume was ahead 2% to $466 million, which allowed Wickes to maintain its position as the nation's fifth largest chain in DIY sales, according to *NHCN*'s annual survey of the industry.

This is expected to be a year that Wickes Lumber, Builders Emporium and other Wickes companies carry out growth plans that were, perhaps, on hold during the darker days of Wickes' rehabilitation.

It is also expected to be the year that Wickes emerges from Chapter 11. Last fall reorganization plans were confirmed by the bankruptcy court for two Wickes entities. Confirmation is pending for the remaining $1.2 billion in pre-Chapter 11 unsecured debt, which is addressed in the reorganization plan with a combination of cash, two-year and nine-year notes, and Wickes stock.

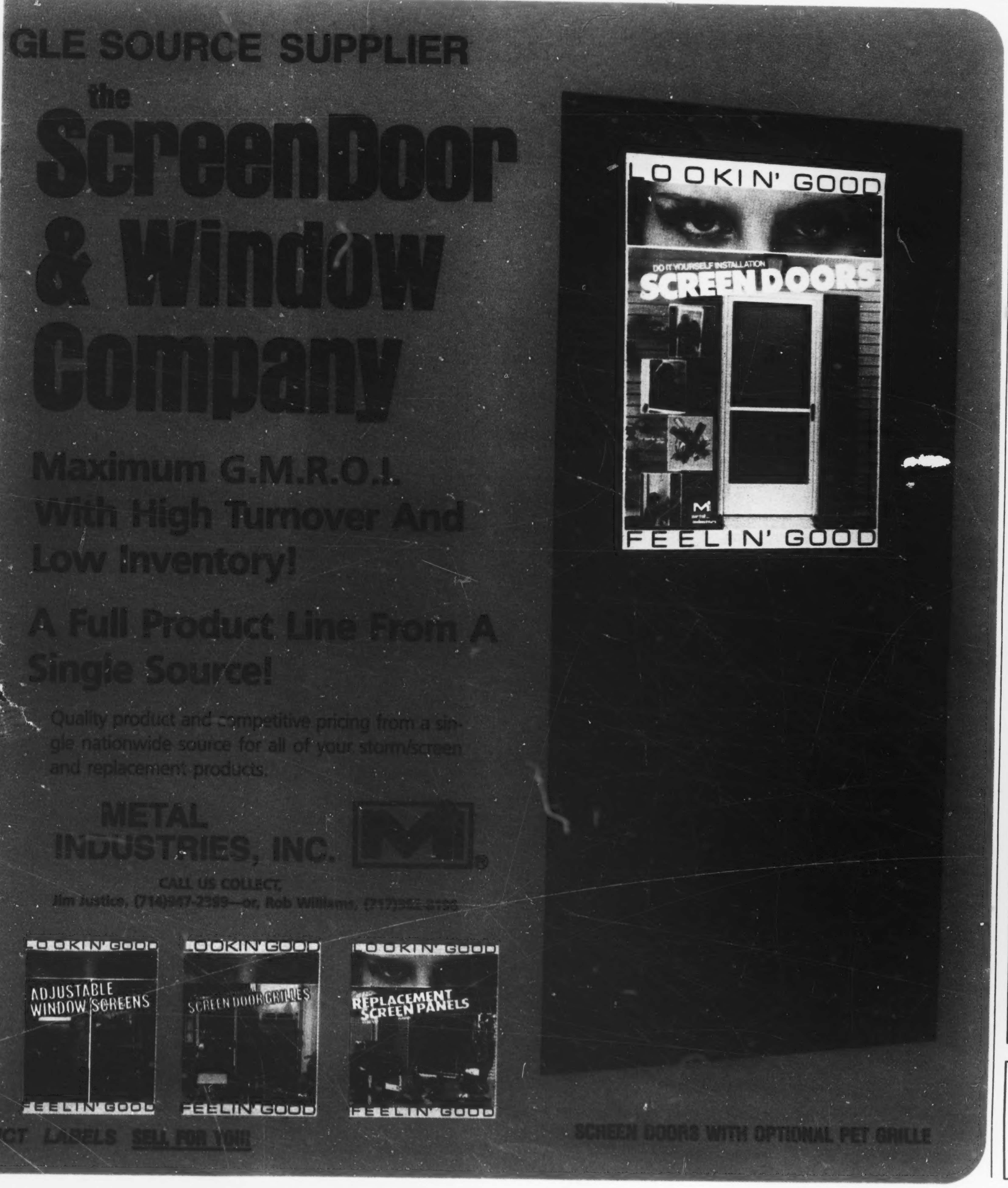
Sanford Sigoloff: architect of Wickes' efforts to emerge from Chapter 11.
NHCN photo

25 fastest growing chains by rate of total sales growth

Rank	Companies	% increase
1	The Home Depot	117
2	Elk Supply	80
3	Foxworth-Galbraith Lumber	71
4	O'Malleys	69
5	National Lumber (Springdale, Ark.)	60*
6	Homecrafters Warehouse	57
7	Strober Bros.	53
8	Elgin Lumber	52
9	Calcasieu Lumber	50
—	Causeway Lumber/Red Thumb Home Centers	50
11	Courtesy Home Centers	43
—	Payless Cashways	43
—	Westlake Hardware	43
14	Boise Cascade	42
15	Erb Lumber	41
16	Anderson Lumber	40
—	Edward Hines Lumber	40
18	Lanoga	39
19	Lowe's	38
21	Somerville Lumber	38
—	Walker-Kurth	36
22	Seacoast Building Centers	35
—	Star Lumber	35
24	Kindt	33
—	M. G. Building Materials	33
—	Pay 'N Pak	33

*Company ranked "101st" on Top 100 Total Sales list and thus not included on main chart.
Source: *NHCN* Top 100—Total Sales

Ten retailers boosted total sales by 50% or more in 1983 over 1982 (as distinct from the growth in DIY sales only). The Home Depot capitalized on its fourth straight year in which sales volume more than doubled. The Atlanta-based chain was the only company in the Top 100 in total sales to achieve a doubling of sales during 1983. For many of the companies, sales benefited both from the rebounding home building market and increased consumer spending.



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National Home Center News

84 diversifies product mix to lure retail consumers

EIGHTY FOUR, Pa.—84 Lumber, the home center industry's largest privately held retailer, maintained sixth place in total DIY sales last year.

The chain, which operates 374 stores in 40 states, increased its consumer sales 15% to $414 million in 1983. This volume represented about 60% of 84 Lumber's total of $690 million, also up 15% over the previous 12-month period.

The company eschews publicity, so information about its operations last year is scarce. However, the chain did appear to be making a greater effort to attract more retail consumers into its stores by diversifying its product mix in certain markets.

84 LUMBER & HOME CENTER

Last year, the company engaged the services of Moss Manufacturing, the Miami distributor, to bring in imported lines of ceiling fans, lawn and garden products, some tools and other items for its stores. At 84's Arlington, Tex., unit, for example, the company added about $60,000 to $65,000 worth of hard lines to its commodities mix, according to area manager Jim Scott, who added that the store was serving as a "prototype" of sorts for two other units in Houston earlier last year.

In its attempt to offer consumers all the products needed to complete a home improvement job, 84 Lumber also brought on such noncommodity items as Stanadyne/Moen and Midcor faucets; a wider range of kitchen cabinets and a more extensive paint and sundries line.

And, while the company has not jettisoned its "no frills" store environment—concrete floors, no heating or cooling systems, dim lighting—some physical changes were in evidence at several of its stores. Vinyl flooring covered the concrete in the hard lines departments at some of its stores, and the word "Home Center" began appearing in 84's advertising and on the outside wall and pylon signing at its stores.

The chain has always had a reputation of being one of the lowest-priced commodities retailers in any given market. But now it has become all the more price conscious with its hard lines as well, another indication that the chain is trying to broaden its customer base. In recent ads all over the country, 84's president, Joe Hardy, is pictured as an insert inside a "letter" to customers promising that his stores will "lower prices."

As examples of this, 84 was selling a 52-in. ceiling fan, normally $124.84, for $68.84; an entrance lock was discounted to $4.84 from $6.84, and a telephone receiver—a product that would never have been offered in an 84 Lumber store two years ago—was retailing for $6.84.

Along with these merchandising changes, 84 Lumber continued to be one of the most aggressively expanding companies in the industry, having added 20 new stores to its chain last year. However, the company did close its Denver branch office in January 1983, and shuttered stores in Denver, Englewood, Colorado Springs, Colo., and Salt Lake City, Utah.

The remaining units 84 operates in Colorado, Kansas, Wyoming, Utah and New Mexico were placed under the aegis of its Arlington, Tex., regional office. "We felt it better to devote our expansion efforts to markets where our stores were better accepted," said 84's director of advertising Jeanene Tomshay, who told *NHCN* the markets where the chain closed stores last year had been "problematic" for several years.

In 1984, the company plans to open 30 new stores, the locations of which 84 Lumber officials would not reveal.

84 LUMBER & HOME CENTER

Along with being the home center industry's largest privately held retailer, 84 Lumber is also one of the most aggressively expanding companies, having added 20 new stores to its chain in the past year. NHCN photo

25 fastest growing chains by rate of DIY sales growth

Rank	Companies	% increase
1	Elk Supply	123
2	The Home Depot	117
3	Alexander Lumber	50
—	Strober Bros.	50
5	Westlake Hardware	44
6	Courtesy Home Centers	43
—	Payless Cashways	43
8	Homecrafters Warehouse	42
9	Edward Hines Lumber	40
10	Somerville Lumber	38
11	Anderson Lumber	35
—	Walker-Kurth	35
13	Pay 'N Pak	34
14	Fullerton Lumber	33
—	M. G. Building Materials	33
—	Kindt	33
17	Builderama	31
—	Jaeger Lumber	31
19	Handy Andy Home Improvement Centers	30
—	Mr. Goodbuys	30
21	Lezzer Lumber	29
—	Charles Meek Lumber	29
23	Hechinger	28
—	McCoy's Building Supply	28
25	Goodman Lumber	27
—	Lowe's	27
—	Robertson Cos.	27

Source: *NHCN*'s Top 100—Total Sales and DIY Sales—1983

By virtue of an 80% gain in total sales to $36 million and an increase from 65% to 80% in consumer orientation, Elk Supply, Clinton, Okla., beat out The Home Depot, Atlanta, among the companies with the largest percentage increases in DIY sales during 1983. The Home Depot, nonetheless, more than doubled its sales for the fourth consecutive year. Alexander Lumber, Aurora, Ill., and Strober Bros., Brooklyn, N.Y., enjoyed 50% increases in DIY volume last year. Alexander benefited from several replacement stores better able to serve DIYers while Strober Bros. saw sales grow significantly in 1983 at four stores opened during 1982.

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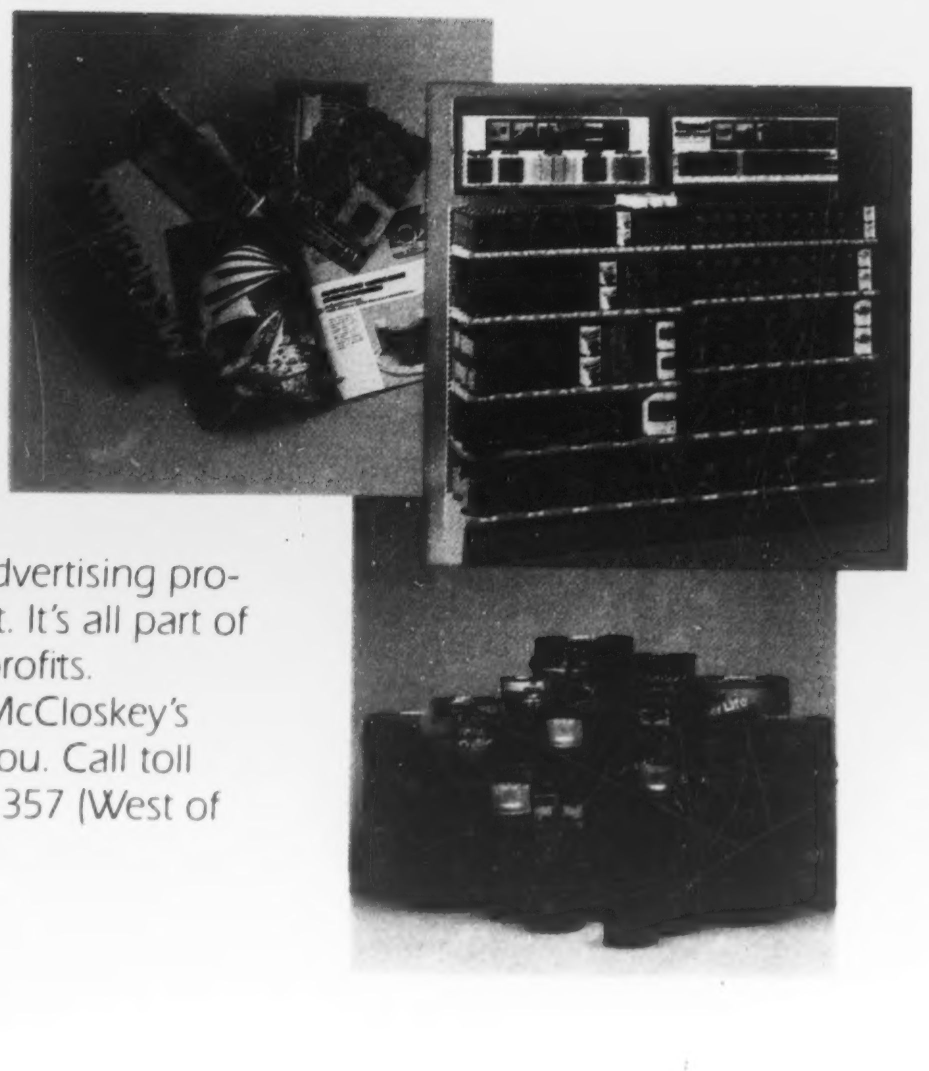

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Sutherland's year marked by growth, advertising

KANSAS CITY, Mo.—Sutherland Lumber launched the most aggressive expansion campaign in its history last year as its leadership, which shifted to the fourth generation of Sutherland's, enjoyed the fruits of an increased level of sales to consumers, resulting from a more energetic advertising campaign over the past three years.

By the end of 1983, the $423 million chain had expanded to 82 stores, from a total of 75 that were doing an estimated $345 million the year before. The chain plans to increase its store count to 86 by the end of 1984.

Sutherlands

About 75% of the company's volume represents sales to consumers, a level of activity that is bound to increase as the company pursues do-it-yourselfer market not only through an increased tempo of advertising but also through new stores that are designed with the handyman and small contractor in mind.

Last year the company began to build larger, warehouse-type stores that are designed with individual markets in mind, rather than conforming to a definite cookie-cutter pattern.

The company took its first steps into warehouse-style retailing with an 80,000-sq.-ft. store in Tulsa, Okla., and an 84,000-sq.-ft. unit warehouse store in Euless, Tex., and then a 101,000-sq.-ft. unit in Indianapolis in late November.

However, while the stores are all much larger than the traditional 30,000-sq.-ft. Sutherland unit, they differ in their particulars.

The Indianapolis store, called HouseMart, uses tall warehouse racking, while the new Sutherland warehouse store in Dayton uses more traditional shelving.

Further, the company plans to build both warehouse-style and traditional home center-style home centers in 1984. And late last year company officials began to speak of a "whole different concept" concerning a new store planned for Colorado Springs, where the chain already has one unit.

Early in 1984, the chain added still more diversity to its store mix by launching the first in a planned series of specialty hardware stores. Located in Little Rock, Ark., the new store covered only 7,000 sq. ft. of space and offered no lumber or building materials at all.

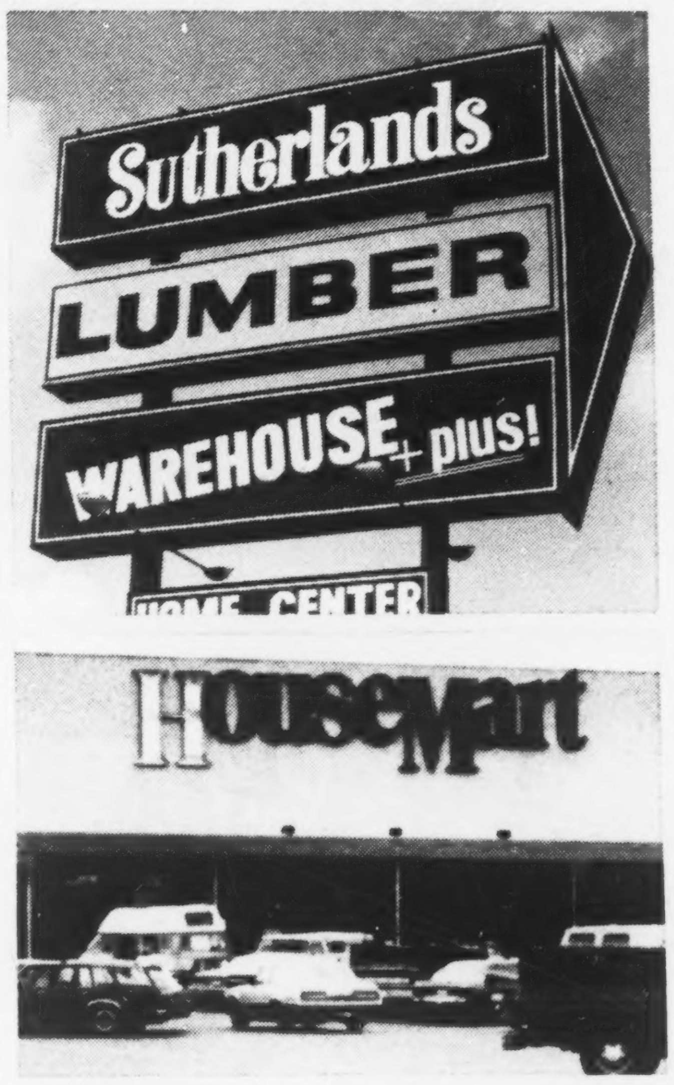
To further complicate the picture, the chain has begun to use a variety of names for its stores. Late last year the company changed the name of its older Indianapolis store to HouseMart, although that store's merchandise presentation share little in common with the new warehouse store of the same name in the city.

Earlier in the year, the chain opened a 40,000-sq.-ft. store in Euless under the name of Sutherlands Warehouse + Plus.

Finally, the chain has put the label of Crate Deals on its new, smaller hardware store experiment in Little Rock, Ark.

Part of the variation in store design and name may be because Sutherland is a tightly held family company in which groups of stores are owned by a variety of family members.

Sutherland's $381 million in DIY sales placed the company 7th on *NHCN*'s ranking of the top 100 DIY chains.



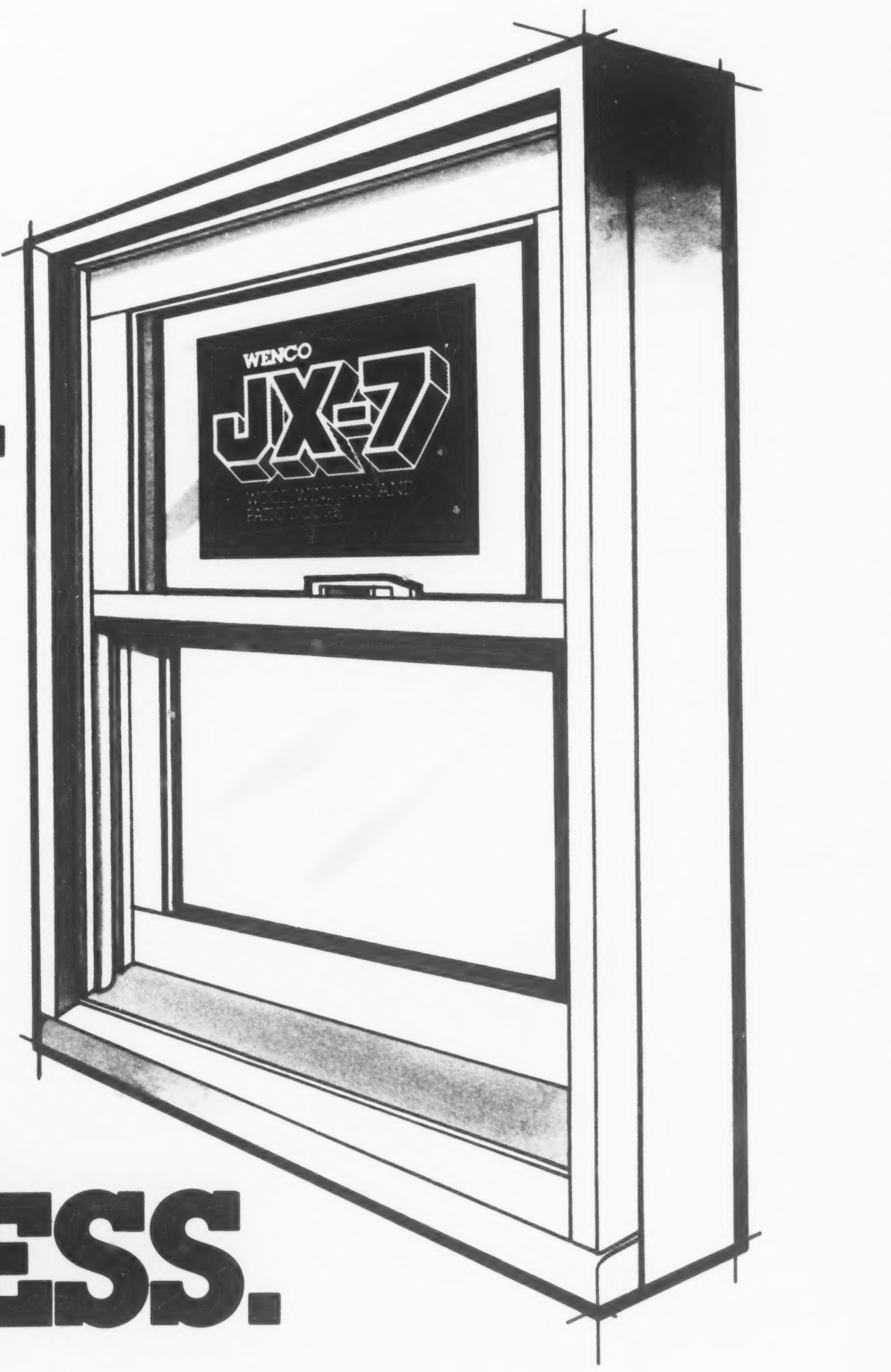
Sutherland's stable of stores include Warehouse + Plus stores and House-Mart units.

25 fastest growing chains by new store additions in 1983

Rank	Companies	No. of stores added in '83
1	84 Lumber	20
2	Payless Cashways	18
3	W. R. Grace	13
4	McCoy's Building Supply	12
5	The Home Depot	9
6	Hechinger	7
—	Sutherland	7
—	Westlake Hardware	7
9	Carter-Jones Lumber	6
10	Home-Pro Warehouse	5
—	Scotty's	5
12	Ernst Home Centers	4
—	Evans Products	4
—	O'Malleys	4
15	Lowe's	3
—	Ole's Home Centers	3
—	Stambaugh-Thompson	3
—	Wolohan Lumber	3
19	Elk Supply	2
—	Handy Andy Home Improvement Centers	2
—	Jaeger Lumber	2
—	Charles Meek Lumber	2
—	Menards	2
—	Pay 'N Pak	2
25	Pergament Home Centers	2
—	Rickel Home Centers	2
—	Hugh M. Woods	2

Source: *NHCN*'s Top 100—Total Sales and DIY Sales—1983

While 1983 reflected a relatively conservative level of new home center store expansion, compared to years past, retailers were clearly more aggressive than in 1982, led by 84 Lumber which added 20 new units last year, the same number by which it grew in 1982. Payless Cashways bettered its 1982 growth rate by four units, opening 10 new outlets in 1983 of its own, and purchasing seven Lumberjack stores and one Morrison Building Supply Center in Salina, Kan., during 1983. Other significant leaders in terms of store additions were: W. R. Grace with 13 more, including Channel Home Centers' invasion into the Washington area; McCoy's Building Supply, which has now added 17 stores in Texas in the last two years, and The Home Depot.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Hechinger thinks big: major expansion plan in works

LANDOVER, Md.—For years Hechinger had a reputation as a well-managed, family-run company that operated extraordinary super stores, but only in one market, Washington.

In the past few years, as the company ventured into Baltimore and Pennsylvania, it became apparent that Hechinger had nurtured a merchandising appeal and operations controls that, indeed, could be exported. Still, Hechinger proceeded with customary caution.

Until last year in January, the company announced an accelerated expansion program that called for seven new stores in 1983, including the first in North Carolina, followed by seven more stores in 1984.

By the end of 1983 the company was planning its most audacious move ever, an original venture that took the industry by surprise when it was announced early this year, an alliance with K mart to launch a national chain of warehouse-type home centers called The Home Team.

Amid the excitement of expansion and new strategies, Hechinger did well. As the industry enjoyed a strong year with the economy flourishing, Hechinger experienced some record-breaking periods.

Fourth quarter sales were up 40% to $79 million from $56.4 million and earnings reached $5.1 million, the strongest quarter ever for the company.

Sales for the year totaled $309.5 million, 28% ahead of the $241.3 million in sales during 1982, while earnings were up 38% to $16.2 million from $11.7 million.

The performance, while helped by the strengthened economy, also reflects certain merchandising strategies that the company was aggressively pursuing. Long tagged a high-priced chain—management claims unfairly—the company for the first time took major steps to fight that image head on, with a 5%-off pricing policy.

While the new pricing was possibly prompted by the need to compete in newer markets like North Carolina, where it invaded turf long dominated by Lowe's, Hechinger also adopted the pricing strategy in metro Washington, its backyard, which was invaded by Channel.

Simultaneously, Hechinger tinkered dramatically with its prototype in some new stores, eliminating a wall that normally separated 40,000 sq. ft. of gleaming retail space from 20,000 sq. ft. of warehouse-like building material storage.

The stores that effected the alteration became 60,000 sq. ft. of open space that resembled, in some respects, the warehouse-type home centers that are captivating the imagination of the industry and the public.

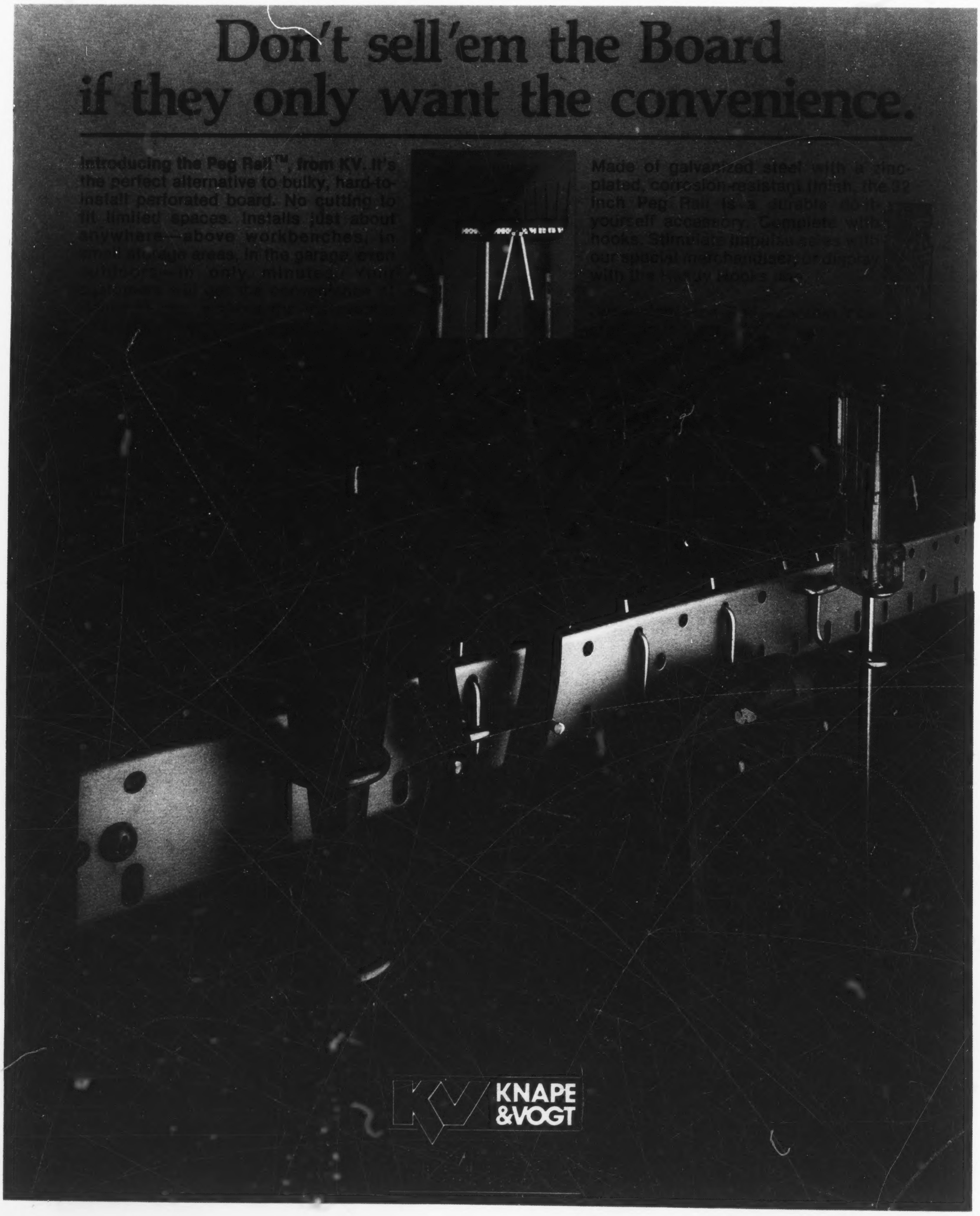
In still another change from past Hechinger business practices, some new units were takeover stores, not built from the ground up. The change in approach was needed to meet the rapid expansion schedule.

Amid all the change, though, at least one thing remained the same—tight family control over the business persisted. After 600,000 shares of additional common stock were issued early in the year—along with 675,000 shares sold by the family—in order to capitalize the expansion, two classes of stock were later created to broaden Hechinger stock's base, while maintaining family control.

HECHINGER
The World's Most Unusual Lumber Yards

THE
HOME
TEAM

In early 1984, Hechinger announced its joint warehouse store venture with K mart to be called The Home Team. Left to right: Hechinger finance vp Stephen Bachand, ceo of the new company; Richard England, Hechinger chairman; K mart chairman Bernard Fauber, and John Hechinger. president.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KNAPE &VOGT

25 largest chains by total store count

Rank	Companies	No. of stores
1	84 Lumber	374
2	Evans Products	345
3	W. R. Grace	286
4	Wickes	282
5	Lowe's	238
6	Carter-Jones Lumber	136
7	Lanoga	127
8	Payless Cashways	118
9	Scotty's	105
10	Pay 'N Pak	100
11	Diamond Lumber	97
12	Great Plains Supply	92
13	Boise Cascade	85
14	Sutherland	82
15	Copeland Lumber Yards	80
16	Handyman	77
17	Ernst Home Centers	72
18	West Building Materials	65
19	Orscheln Farm & Home Supply	61
20	Alexander Lumber	60
21	Fullerton Lumber	50
—	McCoy's Building Supply	50
23	Foxworth-Galbraith Lumber	49
24	Lampert Lumber	47
25	Pergament Home Centers	42

Source: *NHCN*'s Top 100—Total Sales and DIY Sales—1983

84 Lumber, with 20 more stores in 1983 than in 1982, continued to lead the home center pack both in terms of number of stores in operation and the number of new net outlets opened. The Pennsylvania-based chain had 374 units at year-end 1983 and plans another 30 units this year. Ten companies—the same number as last year—operated 100 stores or more at year end, but the line-up has changed slightly. Scotty's and Pay 'N Pak opened their 100th store during 1983 while Diamond Lumber and Great Plains Supply, through unit closings, fell below 100 outlets during the year.

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Rickel gearing up for accelerated expansion

SOUTH PLAINFIELD, N.J.—Rickel Home Centers here cracked into the industry's top 10 list in DIY sales last year, as it continued to remerchandise and remodel many of its 36 stores.

In 1983, Rickel, which is owned by Supermarkets General Corp. in Woodbridge, N.J., had sales increases of 23% to $275 million, of which 100% came from DIY transactions.

These sales gains were partly attributable to a three-year program, which approached completion in 1983, in which Rickel has subleased close to 350,000 sq. ft. of its retail selling space to such leasees as Filene's Basement and Herman's World of Sport.

Rickel grew by two stores in 1983, opening two 45,000-sq.-ft. units in Glenolden, Pa., and Newark, Del., with both stores adjacent to Pathmark Super Centers. Pathmark is Supermarket General's 130-unit supermarket chain.

However, it appears that Supermarkets General will expand the Rickel chain a bit more aggressively in 1984. The company has earmarked $110 million for capital expenditures, 15% above what was spent in 1983, to be used to open four new Rickel stores, eight Pathmarks and eight drug stores. "This is the first year of an accelerated new store expansion program from Rickel," said an official for Supermarkets General.

Over the past five years, the parent company has opened only 14 Rickel stores, and its president and ceo, Leonard Lieberman, told a group of security analysts last year that the corporate plan was to increase that rate over the next five years.

The home center chain's growth will take it into two new markets in 1984. Rickel plans to open a 40,000- to 45,000-sq.-ft. unit in Norwalk, Conn., its first store in the Nutmeg State. The competition in the market is stiffening, as Pergament Home Centers opened a Norwalk unit in October 1982, and Lloyd Home and Building Centers and Grossman's also operate units there.

It cannot be said that Rickel is shying away from any competitive battles. The other new market into which it will move this year is Baltimore, where Channel Home Centers will also be opening several sites. This market is also being serviced by such noteworthy home centers as Hechinger, The Hardware Fair, Scott's and Inner Harbor.

Company chairman Stanley Abramson told *NHCN* that it was a "safe presumption" to expect other Rickel outlets to join its first Maryland store in Baltimore eventually.

Rickel's other two store openings in 1984 will be in existing markets, according to company officials.

Rickel has also recently delved into warehouse retailing. It is currently remodeling its Warminster, Pa., unit into a warehouse format as a test store, although company officials would not comment on whether other similar remodelings were imminent.

The chain has been remodeling its other stores along more conventional lines, and has reported increases in sales as a result. Earlier in 1983, the company spent $500,000 to retrofit its 42,500-sq.-ft. Paramus, N.J., unit—one of the three original Rickel stores still operating in its first location—in an effort to boost the sales of a store that does an estimated $10 million per year. Rickel's stores average $6 million to $7 million in sales.

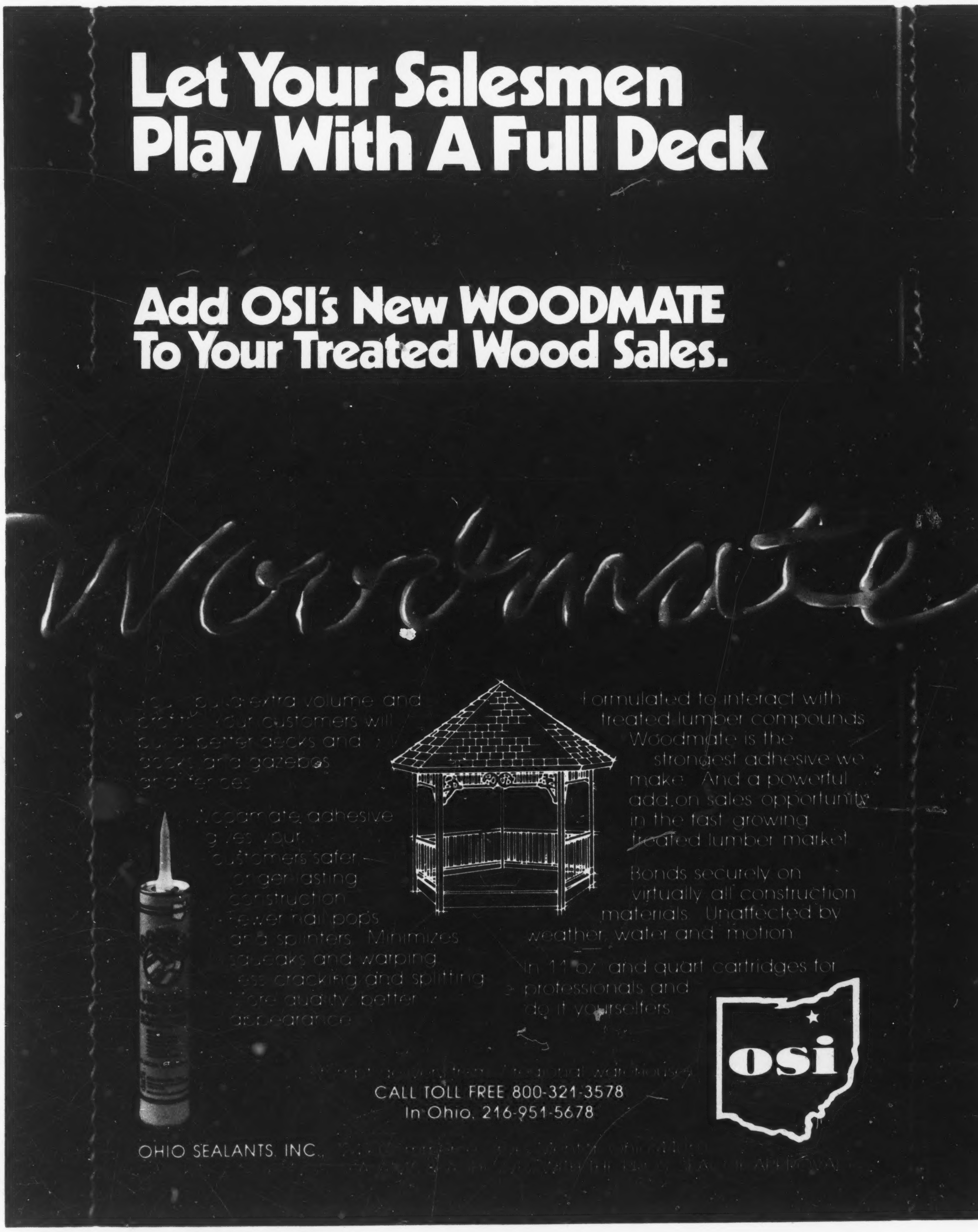
Rickel will move into Baltimore this year where home center competition is heating up. Stanley Abramson, Rickel chairman, felt it was a "safe presumption" that in the future additional Maryland units would be added.

25 top chains in DIY productivity

Rank	Companies	Average DIY sales/ store
1	All American Home Center	$23.0
2	Somerville Lumber	20.0
3	The Home Depot	13.5
4	Courtesy Home Centers	12.5
5	Sackett & Peters	11.0
6	National Lumber*	9.5
7	Menards	9.2
8	Knox Lumber	8.9
9	M. G. Building Materials	8.0
10	Hechinger	7.6
—	Rickel Home Centers	7.6
—	Goodman Lumber	7.6
13	Weyerhaeuser	7.5
14	Payless Cashways	7.0
—	Star Lumber	7.0
16	City Mill	6.8
17	Central Hardware	6.7
18	Mr. Goodbuys	6.5
19	Handy Andy Home Improvement Centers	6.4
20	Forest City	6.3
21	Ole's Home Centers	6.1
—	Hugh M. Woods	6.1
23	Homeowners DIY Centers	6.0
24	Brewster's	5.3
25	Walker-Kurth	5.2

*based in Santa Ana, Calif.
Source: *NHCN* Top 100—DIY Sales, 1983

Two independents on opposite coasts led the Top 100 home centers in terms of do-it-yourself sales per store last year as they did in 1982. All-American Home Center, Downey, Calif., totaled $23 million in consumer volume in its single unit while Somerville Lumber, Somerville, Mass., purchased by Payless Cashways in March, averaged $20 million in DIY sales at its two outlets last year. The Home Depot, Atlanta, No. 3 in 1982, was also No. 3 in 1983 averaging $13.5 million in consumer volume in its 19 stores, although some of the chains individual stores are currently producing over $20 million annually. Other chains to average better than $10 million per store in DIY sales were Courtesy Home Centers, Chicago, at $12.5 million and Sackett & Peters, Whittier, Calif., at $11 million.



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Scotty's maneuvers for position amid Florida boom

WINTER HAVEN, Fla.—Heartened by Florida's growing population base, and stimulated by the arrival of warehouse store competition, Scotty's spent 1983 not only drawing an improved earnings picture, but also developing plans to position itself strategically in a more competitive marketplace.

Scotty's

By the time 1983 had rolled to a close, Scotty's was able to report earnings of $3.3 million for the final calendar quarter, a 97% increase over the same three months of the previous year.

The volume of sales moving through the chain's 105 stores totaled $100.4 million for the final quarter of last year, which was actually the company's second fiscal quarter. This represented a 25% increase over the same three months of the previous year.

At the same time, gross margins had increased from 29.27% to 30.7%.

An increased level of construction in Florida was clearly a major factor in the rebound at Scotty's, which earlier in the year had been the object of some concern by stock analysts. During the final quarter of last year, volume of sales to builders increased by some 66.2%, to $31.3 million. This represented 31.2% of the company's volume for the quarter, up from 23.8% during the same quarter of the previous year.

For the year Scotty's earned $14 million on sales of $399 million, 68% of which went to DIYers.

This performance set an attractive stage for the presentation of a number of dramatic plays prepared by the chain during 1983 for performance earlier this year:

- The purchase of 51 acres of land, to effectively double the size of the acreage the company owns surrounding its headquarters in Winter Haven.
- A doubling of the space devoted to its manufacturing effort, which tripled its roof truss production during 1983.
- Launching a renovation program to increase the space of various departments at its headquarters site, including a doubling of the space made available to its management information systems department.
- The launching of a new chain of specialty hardware stores, strategically positioned between the company's larger stores to facilitate servicing by delivery trucks moving out of the distribution center.

These moves represent part of a larger plan being carried out by the chain to maneuver itself into a stronger position in the Florida market which, according to Scotty's president Ray Cooney, is experiencing an influx of some 700 new residents daily.

Late last year, after the chain had opened its largest store—a 59,000-sq.-ft. facility in Temple Terrace, a suburb of Tampa—Cooney addressed a group of security analysts in New York to outline a number of steps about to be taken by the chain.

These included plans to increase the number of stock keeping units in the stores, to rely more heavily on its distribution center to purchase merchandise more economically, to temporarily reduce gross margins to battle the competition and to boost productivity to increase earnings.

25 largest chains: total retail space

Rank	Companies	Total Selling Area (thousands sq. ft.)
1	W. R. Grace	11,150
2	Evans Products	7,200
3	84 Lumber	4,500
4	Scotty's	3,860
5	Wickes	3,600
6	Handyman	3,100
7	Payless Cashways	3,090
8	Ernst Home Centers	2,590
9	Lowe's	2,530
10	Pay 'N Pak	2,240
11	Hechinger	1,790
12	Rickel Home Centers	1,750
13	Sutherland Lumber	1,600
14	Boise Cascade	1,530
15	The Home Depot	1,520
16	Forest City	1,500
17	Ole's Home Centers	1,400
18	Central Hardware	1,350
19	Carter Lumber	1,200
20	Menards	1,050
21	Pergament Home Centers	1,000
22	West Building Materials	950
23	Orscheln Farm & Supply	900
24	McCoy's Building Supply	750
25	Lanoga	725

Source: *NHCN* Top 100 DIY sales, 1983; reflects selling area available to consumer shoppers; figures do not include storage sheds and warehouses.

More than 20 home center retailers now operate in excess of 1 million square feet of retail selling space in the United States, not including additional property devoted to storage and receiving. W. R. Grace continues to be the giant in home center real estate, with an estimated 11.2 million sq. ft. of space, boosted in part last year from the addition of its new 70,000-sq.-ft. House Works warehouse stores. Evans Products and 84 Lumber, both with more stores than W. R. Grace, continue to dominate by sheer numbers of stores. The top 25 companies on the basis of square footage collectively operated 62.9 million sq. ft. of home center selling space.

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DIYers not balking at tougher electrical jobs

NATIONAL REPORT—Although home improvement retailers in general will increase their market share of electrical products only slightly over the next decade, home centers will out-perform both hardware stores and contractor-oriented lumber outlets.

This conclusion, from a recently released report prepared by Frost & Sullivan, the New York research firm, comes at a time when the do-it-yourselfer is casting a much friendlier eye on more complicated home electrical projects (*NHCN*, April 11, 1983).

Consumers are much more likely today to turn their DIY skills toward projects such as light switch and receptacle box replacements, according to the *NHCN* article.

Last year, a spokesman for the "Doctor Wally" question-and-answer service at Channel Home Centers reported that consumers were becoming much more confident in their ability to do their own electrical maintenance.

"Home centers will continue their dominance of the retail sector," noted the Frost & Sullivan report, titled, *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

Home center sales of electrical products are expected to top $1 billion in 1967 dollars, by 1990, a marked improvement over the $445 million worth of products that pass through home centers presently.

Growing confidence of the DIYer is seen as the primary reason why home centers' share of the market will increase to 11% by 1990, compared with 9% in 1982 and only 4.4% in 1971.

Market share captured by hardware stores, on the other hand, is expected to decline by 1990, to a level of only 4%, a figure that compares with 6% in 1982, according to the report.

Furthermore, contractor-oriented lumber outlets are not expected to increase their share over the 2% which they now hold, a figure that has actually declined somewhat from the 2.6% level of 1971.

As a result of the poor prospects expected in this category for hardware stores and contractor outlets, Frost & Sullivan forecasts only a 17% market share for home improvement retailers in general, in the field of electrical supplies, by 1990. This is the same market share the stores enjoy today, but represents a solid improvement over the 12.4% level of a decade ago.

Home center sales of electrical products are expected to top $1 billion in 1967 dollars, by 1990, a marked improvement over the $445 million worth of products that pass through home center doors presently.

Sales of residential lighting fixtures, which were tracked separately from electrical products by the Frost & Sullivan study, are expected to continue to increase at home centers, which should increase their market share from the 11% level of 1982 to an estimated 17% by 1990. The dominance enjoyed by home centers in this category is reflected in the fact that Frost & Sullivan forecasts that hardware stores will have only 4% of the market in this merchandise category by 1990, and that contractor-oriented stores will command no significant market share.

According to the "Bottom Line Report for Home Centers," released recently by the Home Center Institute, electrical supplies accounted for some 7% of home center net sales in 1982. The stores received an average of $131.59 per square foot for the product category, a level that represented the sixth best performance of the 14 product categories tracked by the Institute.

Importantly, the home centers achieved an average gross margin of some 38.6% for this product category, a level that was the highest of any category tracked by the Institute, except for hardware. The gross margin return on investment (GMROI) for the category was also the highest received except for hardware, coming in at 1.70.

The results of the Frost & Sullivan study may indicate a future shift in the merchandising plans of home centers, only half of which, according to a brands study published recently by *NHCN*, carry the category of electrical and lighting fixtures at all (*NHCN*, Oct. 10, 1983).

Only 26.3% of Northeastern home centers carried electricals at all, compared with 56.6% to 58.3% of home centers in other regions of the country.

Larger firms are more likely to carry electricals than are smaller companies, according to the *NHCN* survey. Of those chains with over 10 units, some 63.2% carry electricals, while only a third of single unit independents do so.

Home centers may turn renewed attention toward this category, as more DIYers become attuned to the difficult skills required for sophisticated electrical home projects, and as the high productivity for the category becomes apparent.

ELECTRICAL SUPPLIES

Sales/sq. ft.	% of net sales	% of floor space
$131.59	7.0%	7.7%
Gross margin	**Sales to inventory ratio**	**GMROI**
38.6%	4.4x	1.70

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Electrical supplies accounted for 7% of home center net sales in 1982. The stores received an average of $139.59 per square foot for the product category, a level that represented the sixth best performance of the 14 product categories tracked.

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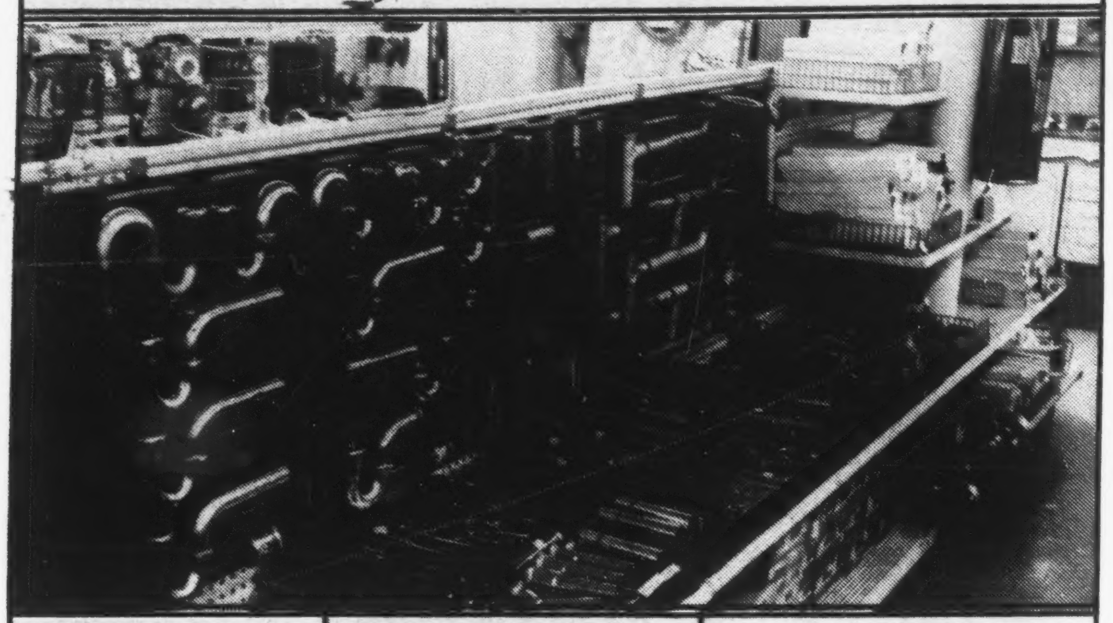


Sales/sq. ft.	% of net sales	% of sales floor
$121.78	9.0%	10.7%
Gross margin	**Sales to inventory ratio**	**GMROI**
36.0%	4.8x	1.73

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

According to the Home Center Institute, plumbing, heating and cooling products accounted for 9% of home center net sales in 1982, and stores received an average of $122 per square foot for the category.

NATIONAL REPORT— Home improvement retailers are expected to capture twice the market share of plumbing fixtures and nonelectrical heating products by 1990 than they had in 1971, according to a report released earlier this year by Frost & Sullivan.

Home centers are expected to do even better than hardware stores and contractor-oriented lumber outlets, according to the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channels.*

Home centers are expected to capture 27% of the total retail movement of plumbing fixtures by 1990, a figure that compares with 19% in 1982 and only 7.3% in 1971.

At the same time, they are expected to capture 7% of the nonelectrical heating products movement by 1990, a figure that compares with 6% in 1982 and only 1.6% in 1971.

"The products in this group are becoming increasingly consumer-oriented over the years and the share of their sales accounted for by hardware, lumber and building materials retailers continues to rise," said the report.

Plumbing departments were reported as fast growing ones by many home center chains last year. A number of chains increased their assortments of plumbing products, even at the expense of some margin, in an attempt to increase volume and turns (*NHCN*, June 6, 1983).

Such dealers pointed out that the plumbing department was one that "you could build your reputation on." United Building Centers, Winona, Minn., allocated 15% to 20% of its floor space to the department, doubled the plumbing inventory, increased stock keeping units to between 800 to 1,000, and boosted plumbing promotion dollars from 5% to 15% of the firm's overall budget.

Hot water heaters were said to be popular products, in particular, at a number of chains last year. Even some chains that stock no other heating or cooling products carry the item.

An example was Braver Lumber, Detroit, where buyer Bob Miller said that most customers either knew how to install the item on their own, or knew someone who could.

Clearly, however, the rapid increase in market share captured by home centers accounts for the overall doubling of market share accounted for by home improvement retailers in general. Taken as a whole, home improvement retailers are expected to capture 35% of the plumbing fixtures market by 1990, compared with only 28% in 1982 and 15.8% in 1971.

The same stores are expected to capture 10% of the nonelectrical heating market by 1990, compared with 11% in 1982 and only 5.1% in 1971.

Neither hardware stores nor contractor-oriented lumber and building materials stores are expected to increase their market share significantly.

Hardware stores are expected to retain only roughly the same plumbing fixtures market share, around 4% to 5%, in the future as they have in the past 10 years. And their share of the nonelectrical heating product market is expected to remain roughly the same 3% in 1990 that it was in 1971.

On the basis of actual 1967 constant dollars, home centers are expected to sell $355 million worth of plumbing fixtures by 1990. In 1982, their estimated dollar movement was $142 million.

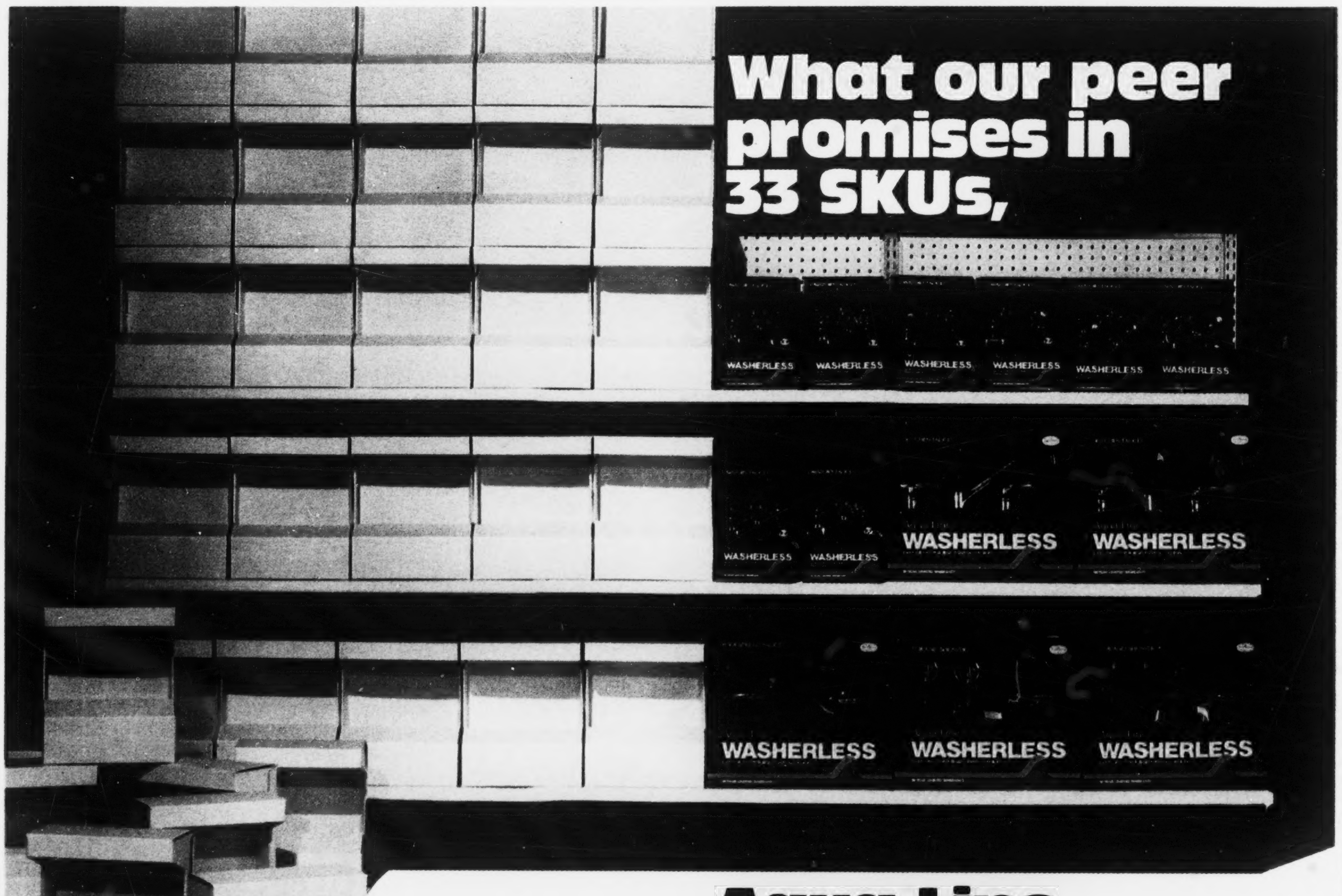
Home centers are expected to capture 27% of the toal retail movement of plumbing fixtures by 1990, a figure that compares with 19% in 1982 and only 7.3% in 1971.

As far as nonelectrical heating products, Frost & Sullivan forecasted that sales through home centers would total $262 million in constant 1967 dollars by 1990, a figure over twice the level of 1982. In 1971, such stores sold only $16 million worth of the products.

According to the Home Center Institute, plumbing, heating and cooling products accounted for 9% of home center net sales in 1982, and such stores received an average of $122 per square foot for the category. The 36% gross margin received is the fourth highest for the 14 categories tracked by the institute. Because the category receives an average of 4.8 turns, the GMROI is 1.73, according to the institute, making it the fifth best performing category in their study.

Sales of stoves and fireplaces at home centers are expected to top $56 million in 1967 dollars by 1990, a figure that compares with $28 million estimated for 1982 and $4.1 million in 1971. Sales dropped sharply from a $43.5 million level in 1980 to a $36.5 million level in 1981. Home centers are expected to maintain roughly the same 22% market share in 1990 that they had in 1982.

Imported plumbing fixtures make up an estimated $55 million, or about 5.5% of the market, representing a considerable increase from the 0.3% they commanded in 1971.



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Paint sales stir fight for bigger market share

NATIONAL REPORT—The future looks good for home centers selling paint and paint sundries as they are expected to have 40% of the entire retail paint market, and 35% of the retail paint sundries market, by 1990.

But this market share will be hard-won as the retail paint market—one of the most competitive within the home improvement industry—will find more people fighting for a slice of the paint business pie, which currently has only a 4% annual growth rate.

Competitive pricing and strong advertising campaigns are expected to help make home centers gain that larger slice.

Home centers had 27% of the total retail paint market in 1982, equaling $667 million, in constant 1967 dollars, and home center sales are expected to rise to $1.5 billion by the end of the decade, according to newly published Frost & Sullivan research called *Markets and Strategies for Selling Home Improvement Products Through the Retail Chains.*

Similarly, home centers, hardware stores and contractor outlets are expected to increase their market share of retail paint sales to 62%—$2.3 billion in constant 1967 dollars—by 1990. Two years ago, their market share was 51%, with $1.3 billion.

Constant promotions have already undercut margins to 10% to 15% lows on nationally known brands, and manufacturer penetration of discounter markets has made many retailers afraid that margins will sink even lower.

The industry had 40% of the paint sundries market share in 1982, with sales totaling $310 million, in constant 1967 dollars, and is expected to have 50% of that market, worth $589 million in constant 1967 dollars, by 1990.

In addition, the paint, varnish, brushes and rollers market share is expected to increase from 1982's 28%—some $60 million in sales, in constant 1967 dollars—to 37%, valued at $116 million, by the end of the decade.

Thirty-five per cent of the paint sundries market, valued at $415 million in sales, in 1967 dollars, and 27% of the paint, varnish, brushes and rollers market, worth $87 million, are expected to be held by home centers by 1990.

Home centers and discounters will be going head-to-head in this market more frequently now, as manufacturers expand their lines of distribution.

The industry's leading paint supplier, Glidden, began selling paint to K mart last May. Sears, which already owns 20% of the retail paint market, sought to tighten its hold by initiating a chain of smaller, "convenience-type" paint and hardware stores last year.

In addition, specialty paint chains, such as Standard Brands and Color Tile, are adding pressure on home centers to keep their prices competitive, and to advertise heavily.

Constant promotions have already undercut margins to 10% to 15% lows on nationally known brands, and manufacturer penetration of discounter markets has made many retailers afraid that margins will sink even lower.

Consequently, the debate about private label brands continued last year. For though they offer higher margins at lower retail prices to the consumer than the national brands, they carry the risk of fewer turns.

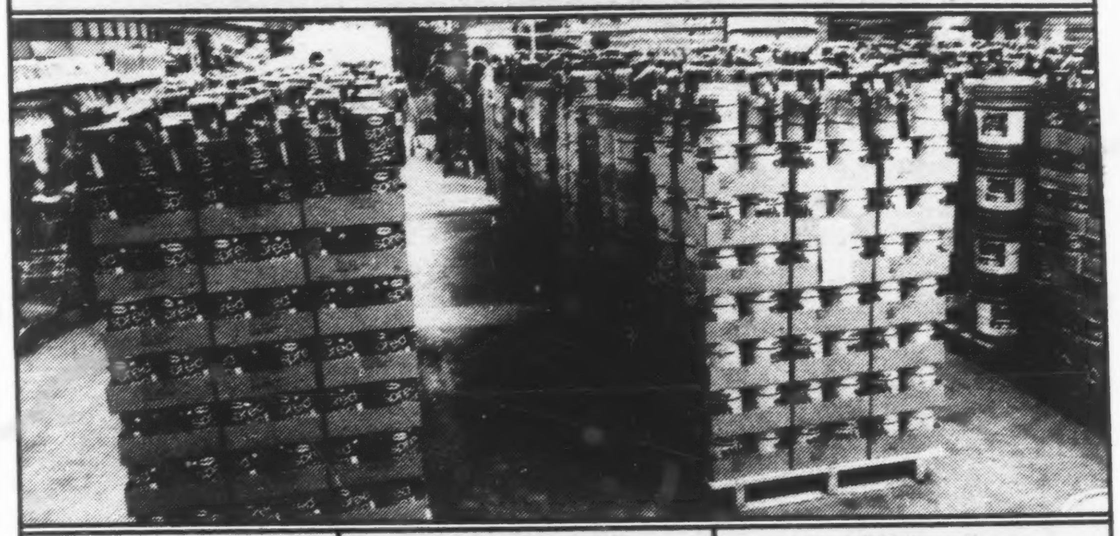
However, most retailers still find carrying name brands essential for pulling in traffic. Manufacturer ad campaigns—Glidden allocated a massive $10 million for advertising last year—give them high consumer recognition.

A different kind of media exposure for paints and paint sundries also occurred last year, with the law courts becoming involved: It is now illegal to sell spray paints and some adhesives on self-service displays in Texas, because of adolescent and child drug abuse.

Also, two Taiwanese companies making and distributing knock-offs of Wagner Spray Tech.'s airless paint sprayers were permanently enjoined by Federal District Court from manufacturing, exporting, importing or selling them in America.

Home center had 27% of the total retail paint market in 1982, equaling $667 million, in constant 1967 dollars, and stores received an average of $137.37 per square foot for the category.

PAINT & HOME DECOR



Sales/sq. ft.	% of net sales	% of sales floor
$137.37	9.2%	9.7%
Gross margin	**Sales to inventory ratio**	**GMROI**
37.5%	5.2x	1.95

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

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Home center hardware sales climbing rapidly

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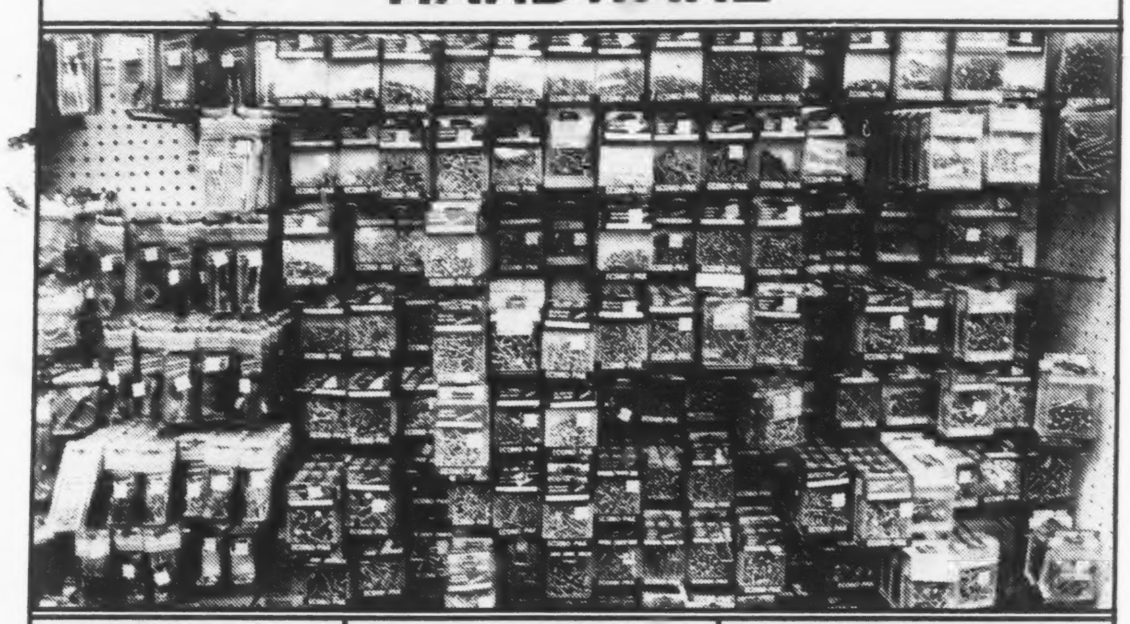

Sales/sq. ft.	% of net sales	% of sales floor
$139.13	9.8%	10.2%
Gross margin	**Sales to inventory ratio**	**GMROI**
40.9%	4.6x	1.88

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Hardware sales averaged $139.13 per square foot, according to a Home Center Institute report, a figure that was higher than any other category tracked except for building materials, lumber and miscellaneous goods.

NATIONAL REPORT—The percentage of hardware sales made through home centers is expected to increase markedly over the coming decade, according to a report recently released by Frost & Sullivan, the New York market research organization.

"In the next ten years, we believe that the percentage of hardware sold through retailers will increase only slowly, but home centers will become more and more dominant," stated the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

The reason for the increasing market share being captured by home centers is that they offer the greater variety of products and services required by the growing do-it-yourselfer movement, according to the report.

The study estimated that home centers accounted for some 37% of all hardware sales in 1982, but that the figure would grow to 46% by 1990.

Furthermore, the trend in such sales has been increasing steadily since 1971, when home centers accounted for only 16.9% of such sales.

On the other hand, the market share captured by hardware stores is expected to decline. While such stores captured 14.8% of the market in 1971, and had increased their market share to 18% in 1982, this figure is expected to drop to 13% by 1990.

Contractor-oriented lumber and building material stores are also expected to experience a steady loss in market share, which had totaled 15.7% in 1971, 14% in 1982 and is expected to decline to 11% by 1990.

Movement of hardware through retail stores is expected to account for more of the category's market share in general over the coming decade. Retail stores moved only 47.4% of all hardware sold in 1971, but had captured 64.2% of the market a decade later.

Retail stores should be capturing 70% of hardware movement by 1990, according to the report.

Home centers sold an estimated $739 million worth of hardware in 1982, in constant 1967 dollars, a figure that is expected to rise to $1.2 billion next year, and to $1.6 billion by 1990.

Hardware is the fourth largest selling category of merchandise in home centers, according to a report recently by the Home Center Institute.

The category accounted for 9.8% of home center net sales in 1982, according to the report, entitled "The Bottom Line for Retail Home Centers."

Hardware sales averaged $139.13 per square foot, a figure that was higher than that of any other category except for building materials, lumber and miscellaneous goods.

Home centers achieve an average gross margin of 40.9% for hardware, higher than that for any other category, according to The Bottom Line.

As a result, hardware's gross margin return on investment (GMROI) of 1.88, based on a turn of 4.6, makes it the best performing category carried by home centers, outside of paint and home decorating.

By 1990, according to Frost & Sullivan, hardware shipments moving through both retail and nonretail outlets should total $1.6 billion, a figure 47% higher than that for 1980.

The reason for the increasing market share being captured by home centers is that they offer the greater variety of products and services required by the growing DIY movement.

Although firm statistics on imports are not available, Frost & Sullivan estimated the share of the market taken up by imports as between 5%-6% of total shipments.

Canada accounts for the largest share of hardware imports, according to the report.

Home centers began to take closer looks at their fastener departments last year, moving to improve performance in the category by adding stock keeping units, increasing the level of inventory and offering more attractive point-of-purchase displays (*NHCN*, Feb. 13).

For example, Stambaugh-Thompson began packaging its own fasteners to make the product more attractive to consumers, and increased its stock keeping unit count from 300 to 2,000. These steps, taken together, have improved business to the extent that the chain plans to implement them in all 17 stores by the end of this year.

Boise Cascade developed two prototype fastener departments, while Lowe's and Levy's both added 20% more sku's to their departments.

Many chains reported earlier this year that fasteners offered high margins and volumes that can make a big difference in their hardware departments.

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Power tool sales shift to home center market

NATIONAL REPORT—Sales of power tools are expected to grow some 126% from now until 1990 at home centers, at which point that category of store will have captured 23% of the product's market, according to a new report from Frost & Sullivan, the New York research firm.

Retail stores in general will not capture significantly more market share in the future than the 35% which they currently have, according to the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channels.*

Indeed, both hardware stores and contractor-oriented lumber and building supplies stores are expected to lose market share in this product category. Hardware stores had captured about 9.3% in 1971, but the figure had fallen to 9% by 1982, and is expected to fall to 7% by 1990.

Experiencing the most dramatic decline are the contractor-oriented stores, which had 11.8% of the retail power tool market in 1971, a figure which had fallen to an estimated 7% by 1982 and which is expected to fall still further, to 5%, by 1990.

These trends are in contrast with the upward trend at home centers, which possessed 16% of the product movement in 1971 but had increased their share to an estimated 19% by 1982, with market share forecast to reach 21% in 1985 and 23% in 1990.

American vendors have countered the aggressive entry of imported power tools by promoting better quality and higher priced tradesmen lines.

Home center sales in the category, which were $103.6 million, in constant 1967 dollars, in 1971, had increased to $211 million by 1982 and are expected to hit $477 million by 1990.

Recently, home center operators reported that stationary power tools were experiencing a revival, after several years during which the collapse in the housing market caused such sales to plummet. (*NHCN*, April 23)

The home centers recently interviewed by *NHCN* reported that the 10-in. table saw has emerged as the best selling of all bench tool products. They were planning to either expand the lines they carried, or to add such lines if they currently did not carry them in some stores.

Truckload sales have also proven themselves as popular means of creating additional excitement in the power tool category. They allow home centers to get quick, volume sales at good margins.

American vendors have countered the aggressive entry of imported power tools by promoting better quality and higher priced tradesmen lines.

Retailers have expressed some skepticism about the willingness of the American consumer to pay higher prices for power tools, and stated that manufacturers had yet to "create" a higher end market. (*NHCN*, April 25, 1983)

Despite the healthy increase in market share enjoyed by home centers, power tools still do not account for a significant portion of their net sales. A survey conducted by the Home Center Institute, published under the title of the "Bottom Line" report for 1983, found that power tools were the least significant of 14 product categories tracked, accounting for about 2.4% of net sales, and covering only an average of 3.1% of home center sales floors.

Further, the $112 average sales per square foot the product brought home centers ranked tenth on the list of categories tracked.

The Bottom Line also concluded that gross margin in the category averaged 31.9%, that turns averaged 3.4. The gross margin multiplied by the turns, or gross margin return on investment (GMROI), averaged 1.08, a figure that was the poorest of 14 categories except for major appliances and home entertainment products.

Frost & Sullivan forecasts a very healthy growth rate of some 85% for power tool shipments over the period from 1982 to 1990. This rate is not as high as the category's dramatic increase of some 109% from 1971 to 1980.

From 1980 to 1982, the category experienced a rapid decline in shipments, of some 19%, or from $787 million in constant 1971 dollars, down to $640 million.

The 1982 figure is only 40% of the total for hand tool sales. "Although they will grow faster, sales of power tools in 1990 will still be only 42% as large as hand tools," concluded the Frost & Sullivan study.

The percentage of product movement accounted for by imports in the power tool category is 8.5%, a figure that is substantially lower than the 14% in the category of hand tools.

However, power tool imports are increasing sharply, with much of the product coming from Japan. In 1971, only 2.9% of power tools in the American market were imports.

POWER TOOLS & ACCESSORIES

Sales/sq. ft.	% of net sales	% of sales floor
$112.05	2.4%	3.1%
Gross margin	**Sales to inventory ratio**	**GMROI**
31.9%	3.4x	1.08

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

In a recent study by the Home Center Institute, gross margins in the power tool category average 31.9% and turns averaged 3.4. The GMROI averaged 1.08, a figure that was one of the poorest in the categories tracked.

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Home centers shave price points on hand tools

NATIONAL REPORT—Home centers are expected to capture an increasing portion of the hand tool market over the next decade, according to a recent report from Frost & Sullivan, the New York research firm.

Hand tool sales in home centers should rise some 138% in constant dollars between 1982 and 1990, bringing home centers' share of total movement of the item to 18%, according to the report, entitled *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

Home center operators began shaving their hand tool price points this year, in response to the increasing competition of imports.

At the same time, American vendors are responding to the increasing dominance of imports by considering the launching of lines of "no frills" programs that lack promotional support but offer the consumer lower shelf prices (*NHCN*, April 23).

Although American consumers, in the past, relied primarily upon the higher quality domestic hand tools, in more recent years they have turned their attention toward imports.

Last year, a number of American manufacturers expressed their disapproval of the increasing penetration of imports onto home center shelves. Such imports, they said, were "riding the coattails" of domestic advertising and promotion programs (*NHCN*, April 25, 1983).

Home centers have made dramatic market share inroads since 1971, when the stores captured only 7.1% of all the product's movement. By 1982, that figure had grown to an estimated 13%.

Imported products, said some vendors, offered particularly strong competition in labor-intensive designs such as wrenches and pliers, where heat treating technology is not as essential.

Home centers have made dramatic market share inroads since 1971, when the stores had captured only 7.1% of all the product's movement. By 1982, that figure had grown to an estimated 13%.

Hardware stores, which had captured 7.6% of hand tool movement in 1971, were capturing 10% of the product movement by 1982, but are expected to capture only 8% by 1990.

Contractor-oriented lumber and building materials stores, on the other hand, are expected to maintain the same 3% of market share they have held since 1971, over the next 10 years.

All types of retail stores, counted together, are expected to modestly increase their share of the hand tool market from the 26% estimated for 1982 to 29% forecasted for 1990.

By 1990, home center sales of hand tools is expected to top $1 billion in constant 1967 dollars, a figure that compares with an estimated $439 million worth sold in 1982, and about $174 million sold in 1971.

Hand tools accounted for only 4.1% of total home center net sales in 1982, according to the recently released "Bottom Line Report" from the Home Center Institute. Home centers experienced, on the average, some $129 per square foot in sales of this product category.

On the other hand, the hand tool category brought an average gross margin of 35.6% to home centers, a figure that was the fifth highest in 14 categories studied by the Bottom Line. And the average turn of 4.2 achieved meant that home centers experienced an average gross margin return on investment (GMROI) of 1.50. Nine other categories in the report performed better.

"Although they are not a glamourous item, hand tools have been a relatively good growth area over the years," noted the Frost & Sullivan report, in speaking of product movement through a combination of retail and nonretail channels. Total hand tool shipments topped $1.6 billion in 1982, in constant 1967 dollars, a figure that compares with $1.1 billion in 1971.

Total shipments are expected to come to $2.8 billion, in 1967 dollars, by 1990, representing "a dynamic 50% growth rate" since 1982.

The percentage of imports in the American hand tool market clocks in at 14%, a level much higher than that for hardware. Furthermore, these imports are usually intended for retail shelves.

"Even a casual examination of store shelves will show that the lowest priced tools are generally imported, typically from Asia," noted the Frost & Sullivan report.

Although some hand tools are imported from Europe, they account for only about a tenth of the import market and are generally of much higher quality. They usually sell for a price equal to or greater than American made hand tools.

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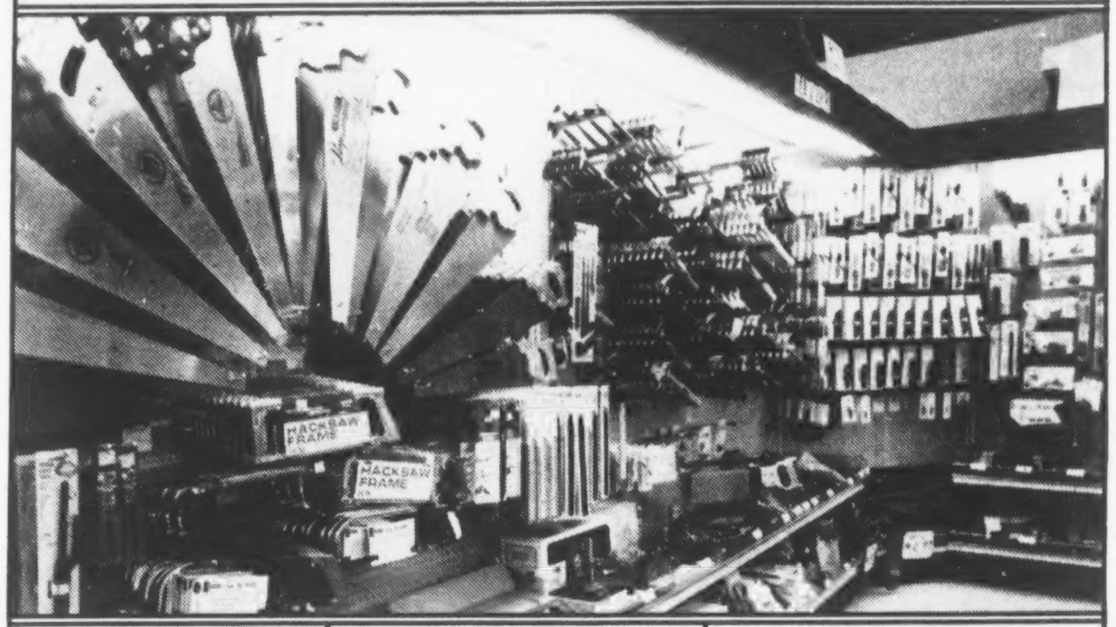
HAND TOOLS



Sales/sq. ft.	% of net sales	% of sales floor
$129.03	4.1%	4.6%
Gross margin	Sales to inventory ratio	GMROI
35.6%	4.2x	1.50

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Hand tools accounted for only 4.1% of total home center net sales in 1982, according to the Bottom Line Report. However, the category brought an average gross margin of 35.6% to home centers, fifth highest in the survey.

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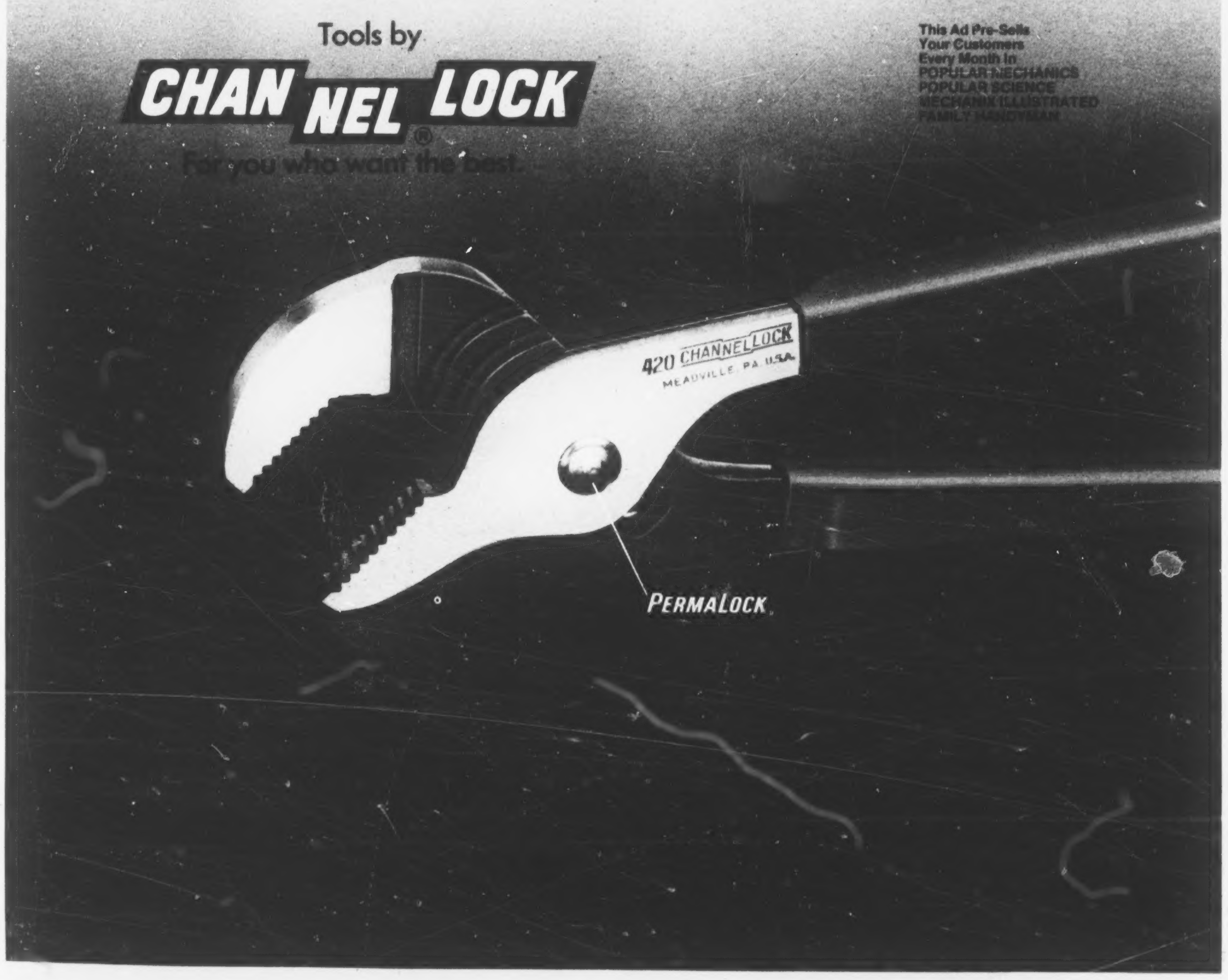


Building products gain amid gypsum shortage

NATIONAL REPORT—Nonwood building materials sales retailed through home improvement outlets are expected to increase 108% between 1982 and 1990, with home centers dominating, according to a recent report by Frost and Sullivan.

In addition, the overall market share of home improvement retailers, which include hardware stores and contractor outlets as well as home centers, should increase 34%, during the same period, according to the report titled *Markets and Strategics for Selling Home Improvement Products Through the Retail Channel.*

The total retail value of nonwood building materials will be over $14 billion, in constant 1967 dollars, by 1990. It dropped to an estimated $9 billion during 1982's housing slump from $9.7 billion during 1981.

Whereas the home improvement industry had $1.6 billion in total sales in 1982 ($1.8 billion in 1980), it is expected to enjoy sales totaling $3.3 billion in 1990, in constant dollars.

However, although home centers, hardware stores and contractor outlets are all expected to have increasing dollar sales throughout this decade, there is a marked contrast between each retailers' market share.

Hardware stores' market share is expected to remain stable at 1982's 7.4%.

The market share of contractor outlets is estimated to increase slightly in middecade on the strength of housing and then decrease by 1990 to 7.4%—a level equal to 1982's low.

Home centers' market share is expected to increase to 15% in 1990, from 1982's 9.2%. Home center sales are expected to reach in 1990, $2 billion from 1982's $833 million, in constant dollars.

Home centers have strongly increasing shares in each of the nine major product categories that Frost & Sullivan places in the nonwood building materials business, unlike the other types of home improvement retail outlets.

- Roofing sales didn't nosedive as steeply as some building materials during the 1981-82 housing slump because of increased DIY interest, and more reroofing being carried out. Home centers' market share is expected to increase 100% by 1990, with sales of $523 million, compared to 1982's low of $198, in constant 1967 dollars.
- Home centers are expected to double their market share of adhesives and sealants to 4% by 1990, pulling in sales worth $131 million, compared to 1982's $49 million, in constant 1967 dollars.
- Mineral wood insulation sales are still expected to grow throughout the rest of the 1980's, but at a slower pace than the rapid escalation of the 1970's. Home centers are expected to be selling $318 million worth of insulation by 1990, compared to $130 million sold in 1982, in constant 1967 dollars.
- Gypsum shortages might plague the industry for sometime, but home centers are expected to increase their market share to 39% by 1990.
- Metal storm windows and screens are another building materials category with predicted healthy sales increases. Home centers are expected to pull in sales of $252 million by 1990, compared to 1982's sales of $106 million.

Home centers have strongly increasing shares in each of the nine major product categories in nonwood building materials, unlike other types of home improvement retail outlets.

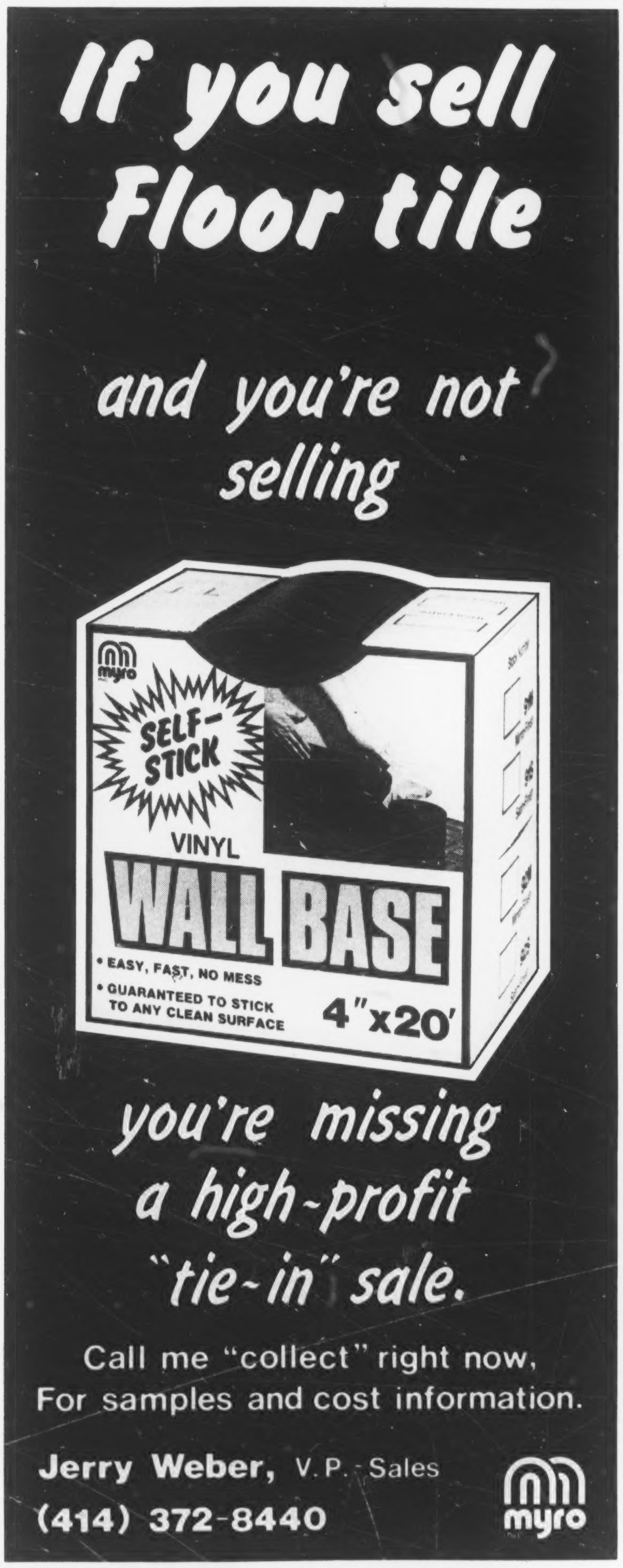
- Ceiling tiles are expanding with the increasing DIY market, with home centers' 1982 20% market share increasing to 32% by 1990. At the same time, sales should triple from 1982's $75 million to $206 million by 1990, in 1967 constant dollars.
- Although the home improvement industry only accounts for a minute portion of laminated plastics sales—it accounted for only an estimated 1% of the market in 1982—home centers have virtually all that business. Their market share is expected to double by 1990, and home center sales should reach $52 million, from 1982's $16 million, in constant 1967 dollars.
- Similarly, home centers' market share of metal doors, sash and trim—excluding storm and screen doors—totaled only 2% in 1982. Home centers' market share should increase to 5% by 1990, with a constant 1% of the market share being kept by contractor lumber and material stores. Home center sales are expected to more than double from $58 million in 1982, to $146 million in 1990, in constant 1967 dollars.
- Fencing and fence gate dollar sales through home improvement outlets are expected to double by 1990 to $228 million from $111 million in 1982, in constant 1967 dollars. Again, home centers are expected to take the largest share, capturing 36% of the market by 1990, from a 28% share in 1982. The market share of the industry as a whole is only expected to rise 6%, from 52% in 1982 to 58% in 1990.

BUILDING MATERIALS

Sales/sq. ft.	% of net sales	% of sales floor
$258.53	21.6%	12.1%
Gross margin	**Sales to inventory ratio**	**GMROI**
26.6%	6.8x	1.81

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Building materials sales per square foot averaged $258.53, in a recently published study by the Home Center Institute. The total retail value of nonwood building materials dropped in 1982 to an estimated $9 billion from $9.7 billion in 1981.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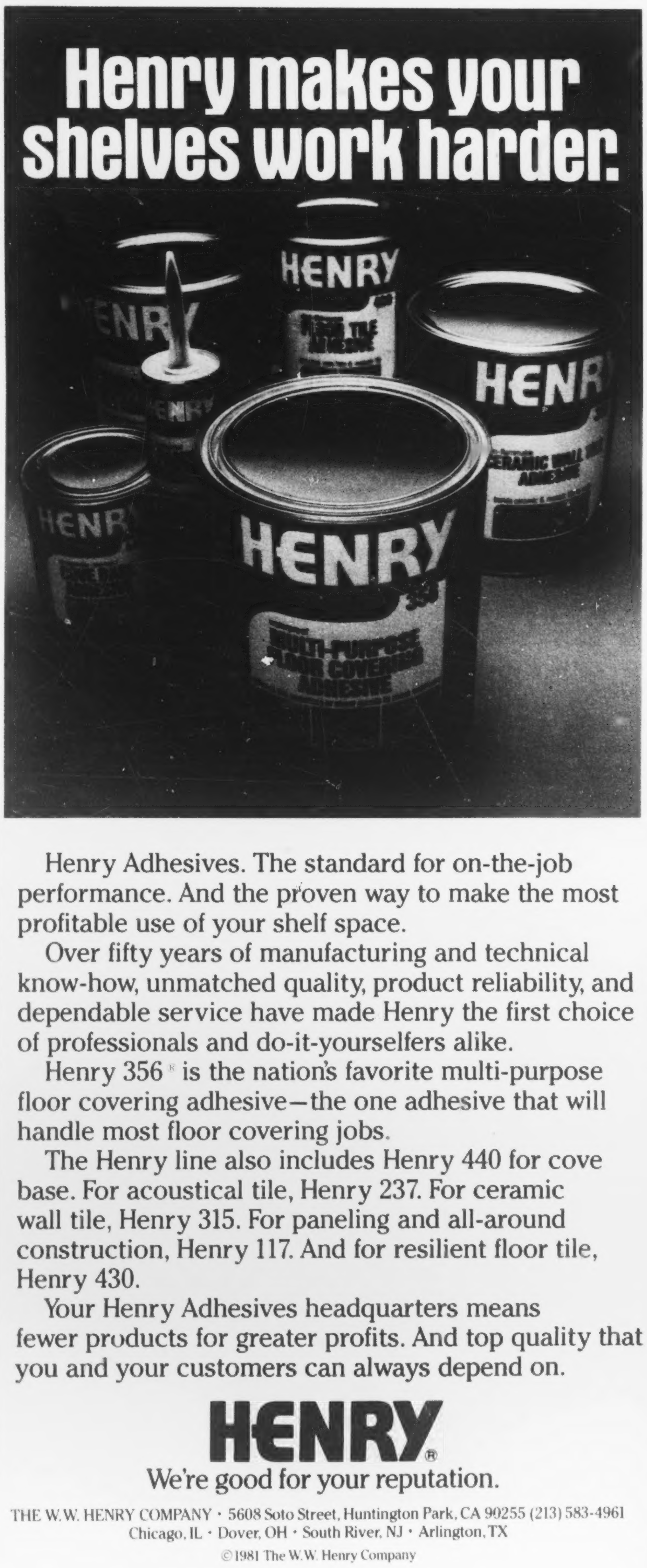
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LUMBER

Sales/sq. ft.	% of net sales	% of sales floor
$205.79	19.9%	14.0%
Gross margin	**Sales to inventory ratio**	**GMROI**
24.1%	6.8x	1.64

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Wood deck fever, indoor displays swell home center lumber share

NATIONAL REPORT—Home centers are expected to account for 30% of the lumber and wood products market by 1990—nearly double the home center share in 1980.

However, total lumber and wood products shipments are predicted to remain relatively stable, according to a new Frost & Sullivan report, making the expanding importance of home centers even more noticeable.

By devoting 14% of their sales floors to lumber, home centers are snaring a greater share of the total lumber and wood products market.

Their ascension in this market is partly due to in-store lumber merchandising becoming more ppular. New in-store storage/display facilities—such as cantilever warehouse racking—not only help alleviate in-store handling and display problems, but make this product more accessible to DIYers.

Also, increasing DIYer interest in adding decks is feeding the treated lumber market. Demand for treated lumber is expected to double in the next 10 years to 6 billion board feet from the present 3 billion board feet.

Last year alone saw a 32% increase in demand for treated lumber over 1982, and the American Wood Preservers Bureau predicts a 20% to 25% increase during 1984.

However, the AWPB sees the DIY deck market for CCA treated lumber plateauing soon, and future big increases are expected in lumber used for other purposes and in lumber treated with different chemicals. For instance, fire retardant lumber, with sales of 200 million board feet in 1983, is expected to reach 2 billion board feet in 10 years.

One of the advantages of treated lumber for the home center retailer is its freedom from the volatile housing start cycle. A recent Data Resources study found that from 1978 to 1982, lumber consumption dropped 29% because of the housing recession, but treated lumber increased 40% to 2.56 billion board feet from 1.84 billion board feet. Also, its share of total lumber consumption almost doubled to 8.7% from 4.5%, according to Data Resources.

By the time demand for treated lumber is expected to plateau—in the early 1990's—it is expected to account for some 17% of the total lumber market.

However, though half the lumber produced in the South last year ended up as treated, treated lumber is still only a fraction of the overall lumber and wood products category.

In the first half of last year, the millwork industry's production increased over 50% above the equivalent 1982 level, which, after adjustment for inflation, was a 30% climb. During this year, the overall constant dollar value of millwork shipments are expected to grow 8%, with an expected 5% annual growth rate over the next five years, according to the Commerce Department's 1984 Industrial Outlook.

Last year, housing starts rebounded to 1.7 million, compared to 1982's 1.1 million starts. American lumber consumption jumped 25% to 35.7 billion board feet in 1983 from 28.5 billion board feet in 1982.

Housing lumber consumption took the biggest bite out of that increase, with 15.1 billion board feet used last year, compared to 9.5 billion board feet in 1982—up 60%.

Imported lumber rose 31.3% to almost 12 billion board feet last year, with Canadian lumber imports accounting for 33.5% of domestic consumption.

With the Canadians taking such a large slice of the lumber market pie, some of the United States lumber industry last year tried unsuccessfully to have tariffs imposed on imported lumber. Many Northwestern lumber companies last year won their petitions for contract extensions, since many companies faced financial ruin because bidding had driven up the cost of certain Federal land.

Also, in the wake of last year's unexpectedly large surge in housing starts, the industry should be able to catch its breath this year, as starts are expected to be just as good, with 1.8 million predicted.

Now that we are in the growth phase of the housing start cycle, the Government predicts a 5% growth rate (inflation adjusted) in total lumber shipments this year.

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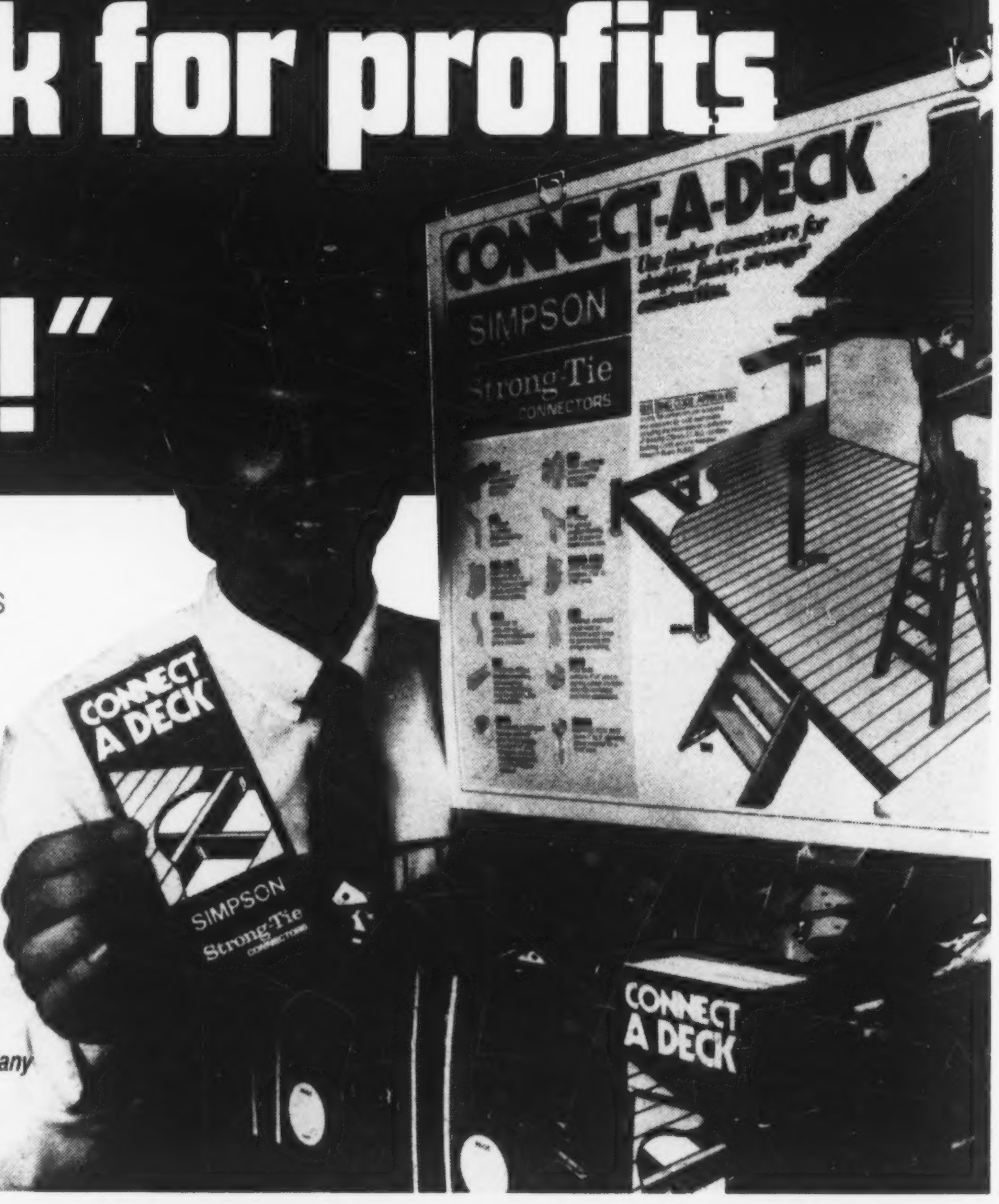

FOR THE RECORD

Excerpts from...Illegal Knockoffs

(NHCN, MARCH 12, 1984)

• This month, the International Trade Commission could issue an exclusion order blocking future sale of imported smooth-rod caulking guns found to infringe upon a patent held by Newborn Bros. & Co., a Columbia, Md., supplier. Newborn's president, Peter Chang, who referred to the I.T.C.'s earlier action in December recognizing the patent infringement as "a landmark decision on behalf of American manufacturers," noted that if the I.T.C. issues a cease and desist order as well, any offender found in violation could be fined $10,000 a day. *(Reproduced with permission from NHCN.)*

SPECIAL NEWS:

GENERAL EXCLUSION ORDER WAS ISSUED ON FEB. 23. CUSTOMS, AT MAJOR PORTS OF ENTRY HAVE BEEN ALERTED BY WASH. HEADQUARTERS. "WITH THE CUSTOMS AGENTS AND OUR OWN FIELD REPS. INVESTIGATING AT NEW JERSEY, N.Y., WESTCOAST, FLORIDA & OTHER PORTS, VIOLATORS WILL BE CAUGHT. WE MUST PROTECT OUR CUSTOMERS INTEREST." SAID NEWBORN'S NAT. SALES MGR., BOB RABER.

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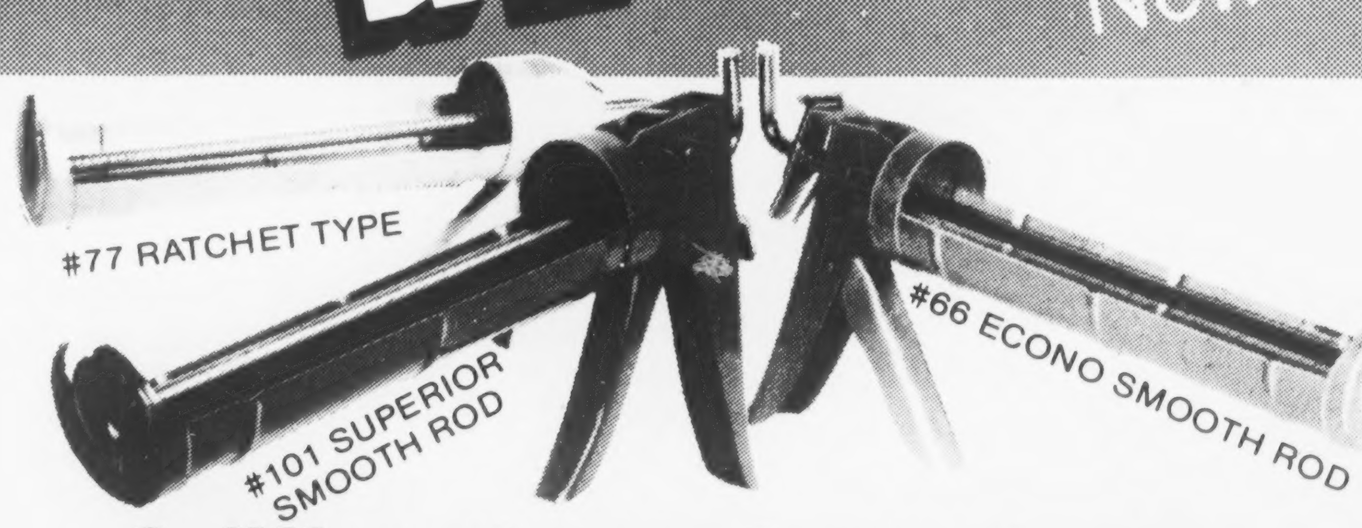

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Home centers see increasing role supplying lawn, garden products

NATIONAL REPORT—Home center lawn and garden sales should reach $679 million in 1990, compared with $280 million in 1982, using constant 1967 dollars.

The estimates are contained in a new Frost & Sullivan study called *Markets and Strategies for Selling Home Improvement Products Through the Retail Channel.*

These predictions reflect home centers' increasing role in supplying lawn and garden product, coupled with an increasing consumer demand.

In addition, the entire lawn and garden industry is expected to increase its retail sales by 70%, from $7 billion in 1982 to almost $12 billion in 1990, in constant 1967 dollars.

The home improvement industry's market share in lawn and garden retail sales is expected to increase from 7% in 1982 to 9% by 1990, with home centers accounting for that 2% increase.

This increasing demand is seen in the unusual 1983 sales picture for "green inventory." Affected by poor spring weather—it rained on 13 consecutive weekends last year—consumer demand didn't blossom until late June or early July, when the selling season is normally over. But between June and September, many retailers reported record sales in this traditionally spring weekend-selling category.

However, Frost & Sullivan's research did not cover this product category, nor did it include nonpowered tools. Its research spanned the fertilizer, agricultural chemical and power tool markets.

Whereas home centers accounted for 10% of 1982's lawn and garden power tool market, it only accounted for 2% of total fertilizer and 1% of total agricultural chemical retail sales in 1982. Most sales in these two categories go to farm supply outlets.

Home centers sold about $35 million worth of fertilizers in 1982, and are expected to sell $79 million worth by 1990, in constant 1967 dollars. Similarly, agricultural chemical sales in home centers totaled $39 million in 1982, and should be $92 million by 1990.

The overall home improvement industry's share of fertilizer sales will not increase above the current 5%—home centers are expected to win part of hardware stores' market share. Similarly, home centers will take the 1% increase that is expected in agricultural chemical retail sales.

By 1985, home centers are expected to take 1% of hardware stores' market share in lawn and garden power equipment sales.

LAWN & GARDEN

Sales/sq. ft.	% of net sales	% of sales floor
$79.91	10.1%	18.3%
Gross margin	**Sales to inventory ratio**	**GMROI**
34.4%	4.8x	1.60

Source: 1983 Bottom Line Report: Retail Home Centers; National Retail Hardware Assn./Home Center Institute

Sales per square foot in the lawn and garden category averaged $79.91 in a recent Home Center Institute study. Total sales in the category hit $280 million in 1982 and should reach $679 million by 1990 using constant 1967 dollars.

Currently accounting for 10% of all 1982 sales, home centers are expected to nab 11% by 1985, and 12% of the total power equipment market by 1990. On the other hand, hardware stores sales are expected to drop from 7% to 6% by 1985, and remain at that level throughout the 1980's.

Last year's lawn mower sales reflect a growing tendency for consumers to polarize to the high- and low-ticket ends of the power equipment market.

However, power equipment sales in terms of dollars will increase for both types of stores as the overall market is expanding. Total retail sales in lawn and garden power equipment are expected to double to $4.2 billion by 1990, from 1982's $2 billion, in constant 1967 dollars.

Home center sales should increase 147% to $508 million in 1990, from 1982's $206 million, and hardware stores' sales should increase to $238 million from $153 million in 1982.

Despite this overall growth, specific product lines within the category are expected to show sales fluctuations depending on season.

For instance, since lawn mowers sold so well throughout 1982 and 1983—despite last year's price hikes caused by the addition of Federally mandated safety features—retailers expect slackening demand this year.

Last year's lawn mower sales also reflect a growing tendency for consumers to polarize to the high- and low-ticket ends of the power equipment market; a trend that is expected to continue.

Despite increasing consumer demand for lawn and garden product as a whole, probably the only thing that can really be guaranteed is that the unpredictable weather will cause surprise demands on almost anything—be it snowblowers as over this past winter, or hose pipes, sprinklers and bug killers as demanded last summer.

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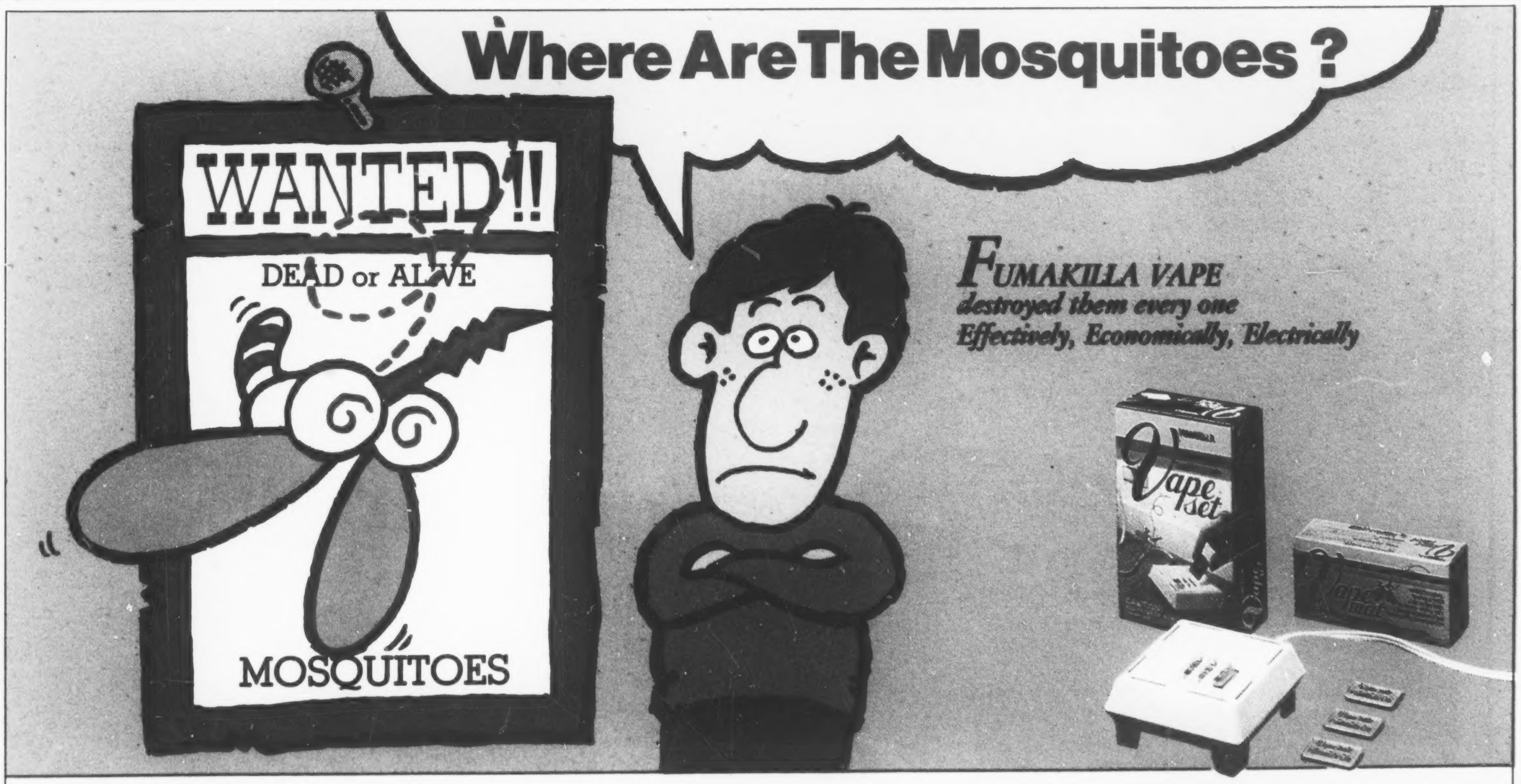

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Top 18 co-ops break $5 billion in sales in '83

NATIONAL REPORT—While their dealer ranks swelled only marginally, the leading hardware, lumber and building materials wholesale cooperatives and buying groups wrote an estimated 9.1% more business with affiliated retailers in 1983 than the previous year.

The top 18 co-ops did $5.066 billion in sales last year, compared with $4.609 billion in 1982, which is remarkable considering that their aggregate dealer base grew by less a 1% to 25,269.

As has been the case for several years, the top five co-ops—Cotter & Co., Ace Hardware, Hardware Wholesalers Inc., Lumbermen's Merchandising and American Hardware Supply—dominated this industry sector, and accounted for about three-quarters of the sales and dealers.

These five companies did $3.7 billion through 18,025 dealer-members in 1983, compared with $3.4 billion from 17,925 dealers during the previous 12 months. The sales represented a 10.2% increase, even as the dealer number was a 1% gain.

But it was the smaller commodities oriented groups, and not the hardware goliaths, that showed the greatest jumps in sales and dealers last year, reflective of the substantial growth in home building nationwide.

ENAP, the Newburgh, N.Y., company, saw its revenues rise 50% to $84 million in 1983, the largest single percentage increase among the co-ops charted; ELMCO, in Wayne, Pa., had sales of $457 million, a 40% gain; Builder Marts of America, the employee-owned dealer services group in Greenville, S.C., enjoyed a 43% sales growth to $410.3 million, despite a reduction in its dealer store base to 1,309 from 1,452, and Progressive Affiliated Lumbermen in Grand Rapid, Mich., found its dealer-members boosting their sales to $65.4 million, a 31% gain.

These co-ops, along with Central Builders Supply in Sturgis, Mich., became a more significant factor in the distribution market last year, so much so that ELMCO passed American Hardware Supply in total volume to rank fourth overall in sales.

The hardware organizations, though, were not blind to the realities of these other companies' market penetration, and many were looking to increase their dealers' sales of lumber and building materials as well. While Ace Hardware's commodities sales, as a percentage of its total, fell slightly, Cotter, HWI, American Hardware and even secondary-source co-ops like Handy Hardware Wholesalers in Houston all had percentage increases in their lumber and building materials volumes. In fact, Handy Hardware, whose dealer base grew 20% to 440 members in 1983, quadrupled its commodities business to where the sale of these products now represents 20% of its $38.3 million in total revenue.

Among the hardware giants, American Hardware's lumber and building materials sales rose to nearly 24% of its total, up from about 20% in 1982. And HWI, based in Fort Wayne, Ind., again increased its distribution of commodities, which accounted for 29% of its overall sales through dealers.

HWI's sales increase of 16.4% to $558 million was the highest percentage volume gain among the major hardware co-ops, due, in part, to the expansion of its "Do-It" remodeling and remerchandising program. In 1983, 28 of its members converted to that program, and many of its concepts have been incorporated into other dealers' stores. By the end of 1984, HWI plans to have converted more than 100 of its dealers' stores to the Do-It program.

Wickes Cos. sold off all its company-owned stores affiliated with the Gamble's buying group, as well as three distribution centers, while changing the product mix offered by the distribution center to cater more to the home center-type retailer.

A $2 million computer system is scheduled to go on-line this May, and Gambles is looking to expand its distribution coverage around the country to include all kinds of home improvement dealers, not just those stores bearing the Gamble's name.

"We are looking to become the No. 1 distributor of home improvement products," said Gambles' president Wayne Waldera. Wickes officials hope the company's sales will rise to $200 million by 1988.

Cotter & Co., based in Chicago, made news last year when it opened its 60,000-sq.-ft. "Dealer's Supply" warehouse in Minneapolis, a facility that began selling merchandise to local retailers not affiliated with the 7,000-member co-op.

At this distribution facility, Cotter also began experimenting with using Uniform Pricing Code stickers on 17,000 stock keeping units, and the company expected to have 75% of the $1.2 million worth of inventory carried at the facility stamped with UPC identification by the first quarter of 1984.

Cotter's sales last year increased about 5% to $1.459 billion, and the co-op leader increased its corporate advertising and inventory levels by around 10% to $59 million and $125 million, respectively.

On the whole, however, most of the companies listed held the line on inventory and advertising expenditures, with some notable exceptions. For instance, the 3,800-member American Hardware Supply, Butler, Pa., was stocking an average of $53.2 million in inventory at cost in its five distribution centers, a 22% increase over 1982. By beefing up its stock, American's sales to inventory ratio grew to 9.88

(Continued on page 92)

The Top Hardware, Lumber & Building Materials Buying Groups

Rank			SALES			STORES								INVENTORY ANALYSIS								CHARGES % charge to dealers out of: •warehouse •pool relay •drop ship		EMPLOYEES No. of employees
			Total sales (mil. $)		%	Lumber & building mat'ls as a % of sales		Dealer stores		No. of home centers		HC sales as % of total		No. of warehouses (tot. sq. ft.)	Min./max. inventory (mil. $)	Stock keeping units		Sales to inventory ratio		% of sales from drop shipment				
'83	'82	COMPANIES	'83	'82	change	'83	'82	'83	'82	'83	'82	'83	'82	1983	1983	'83	'82	'83	'82	'83	'82	'83	'82	'83
1	1	Cotter & Co., Chicago	1,459	1,394	+ 4.6	7-7.5	6-6.5	7,000	7,000	1,500	1,500	30	30	11 (4.5 mil.)	125	25,000	25,000	12.6	12.4	25	27	5-15 6 2	5-15 6 2	3,600
2	2	Ace Hardware, Oak Brook, Ill.	801	739	+ 8.3	4.4	5.0	4,400	4,200	1,450	1,400	38	38	10 (3.4 mil.)	90-110	38,000	38,000	7.3	7.3	33*	31*	10 6 0-2	10 6 0-2	1,800
3	3	Hardware Wholesalers Inc. Fort Wayne, Ind.	558	480	+16.3	29.0	25.0	2,500	2,500	1,500	1,500	60	60	4 (1.7 mil.)	44-48	34,000	33,000	11.8	11.2	52	49	no adder up, depending on cost of handling		614
4	5	Lumbermen's Merchandising, Wayne, Pa. (ELMCO)	457	326	+40.2	80.0	85.0	525	525	45	45	45	45	none	—	—	—	—	—	—	—	—	—	105
5	4	American Hardware Supply, Butler, Pa.	448	440	+ 2.0	23.9	19.6	3,800	3,700	1,400	1,300	40	40	5 (1.7 mil.)	50-57	28,000	27,800	9.9	7.7	29	30	5-15 10 0.5	5-15 10 0.3	879
6	6	Builder Marts of America, Greenville, S.C.[1]	410	286	+43.3	78.0	80.0	1,309	1,452	NA	NA	10	10	none	—	—	—	—	—	—	—	—	—	189
7	7	Coast to Coast, Minnetonka, Minn.[2]	300	291	+ 3.0	NA	NA	1,132	1,150	NA	NA	NA	NA	3 (1 mil.)	NA	28,000	28,000	NA	NA	10	10	NA	NA	900
8	8	Central Builders Supply, Sturgis, Mich.	110	100	+10.0	100.0	100.0	450	450	75	50	60	60	none	—	—	—	—	—	—	—	—	—	22
9	9	Our Own Hardware, Burnsville, Minn.	101	98	+ 3.0	9.7	8.0	1,050	1,050	400	400	35-40	35-40	2 (650,000)	17-22	34,000	34,000	4.3	4.3	27	27	14 6 2	14 6 2	320
10	12	ENAP, Newburgh, NY	84	56	+50.0	100.0	100.0	111	105	62	54	80	80	none	—	—	—	—	—	—	—	—	—	22
11	10	United Hardware Distributors, Minneapolis	82	81	+ 1.0	NA	NA	552	561	30	32	5	5	1 (420,000)	8.9-12.5	33,000	33,000	6.6	6.3	12	12	0-11 NA 2	0-11 NA 2	300
12	13	Progressive Affiliated Lumbermen, Grand Rapids, Mich. (PAL)	65	50	+30.0	100.0	100.0	176	175	100	100	80	80	none	—	—	—	—	—	—	—	—	—	10
13	11	Reserve Supply, Minneapolis	65	60	+ 8.0	70.0	82.0	752	752	110	110	25	25	4 (230,000)	6-10	13,000	6,000	8.6	8.6	50	50	NA	NA	220
14	NR	Gamble's, Minneapolis[3]	60	NA	—	3.0	none	700	800	250	85	65	20	2 (400,000)	10	25,000	25,000	6.0	NA	14	14	NA	NA	350
15	14	Handy Hardware Wholesalers, Houston	38	34	+11.8	20.0	5.0	440	375	110	85	25	25	1 (100,000)	5-6	20,000	20,000	7.5	7.3	25	30	9 NA 1	9 NA 1	105
16	15	KVD Inc. Winfield, W. Va.	11	10	+10.0	2.5	2.5	140	140	31	31	38	38	1 (100,000)	1.5-3	16,000	15,000	8.0	8.3	10	10	5-20 5 2	5-15 5 2	30
17	16	Bay Cities Wholesale Hardware, Manteca, Calif.	9	8	+12.5	none	none	180	225	4	4	1-2	1-2	1 (90,000)	0.9-1.4	15,000	15,000	6.5	6.5	25	25	10-20 6 1.5-2	10-20 6 1.5-2	28
18	17	Connecticut Hardware Supply, Cromwell, Conn.	7	6	+16.7	none	none	52	52	4	3	3	2	1 (35,000)	0.7-1.1	29,000	29,000	5.6	5.3	25	23	NA	NA	14

[1] Builder Marts of America is employee-owned and is a dealer-services organization. Above numbers for its dealer division.
[2] Coast-to-Coast is owned by Household International, Chicago, and its dealers are franchisees.
[3] Gambles is owned by Wickes Cos., Santa Monica, Calif.; it is now selling merchandise to nonaffiliated stores.
*does not include lumber drop shipments; NA—not available; NR—not ranked

Source: Company data; *NHCN* research, chart

Top 18 co-ops break $5 bil. in sales in '83

(Continued from page 91)

from 7.74 in 1982.

Even the 18th-ranked co-op, Connecticut Hardware Supply in Cromwell, added about $100,000 worth of stock to its distribution center, but it appeared that most of the co-ops with storage facilities remained cautious about their buying plans.

While it didn't dramatically increase its inventory dollar base, Reserve Supply in Minneapolis diversified its product mix to a large degree by adding a broader assortment of plumbing and electricals, hardware, and lawn and garden items, increasing its stock keeping unit offering more than 100% to 13,000. As a result of this product adjustment, lumber and building materials sales, as a percentage of Reserve's total, dropped off to 70% last year, from 82% in 1982.

On the other side of the coin, Reserve reduced its corporate ad budget significantly from $120,000 in 1982 to around $38,000 last year. Brian MacKenzie, Reserve's merchandising vp, told *NHCN* that because the co-op dropped its institutional advertising last year in favor of "product ads," it was relying more on funding from vendors for any promotions.

Other random events occurring among the co-ops in 1983 included KVD Inc., the Winfield, W. Va., company, increasing its membership by 50% to 30 dealers; 25 of CBS's dealers became more home center-oriented, bringing that co-op's total home center dealer membership to 75 from 50 a year ago, and Bay Cities Wholesale Hardware in Manteca, Calif., had a sales gain of 9% to $8.5 million, despite having lost 45 of its members from 1982 to bankruptcy or competitive suppliers.

Not all the co-ops that were in business a year ago came out of 1983 unscathed: General Mercantile & Hardware in St. Louis, which had been in existence for more than 45 years, filed for bankruptcy last May, after going through one of the most bizarre sales declines in recent memory (*see story*).

The seven national corporations that buy for a total of 197 wholesaler companies saw their combined sales rise about 7% to $3.68 billion in 1983.

This group was again led by Liberty Distributors in Des Plaines, Ill., whose wholesaler affiliates selling to about 3,500 "Trustworthy Stores" dealers did about $850 million last year. The largest percentage sales gain, though, was at Allied Hardware Services in Chicago, whose 30 wholesaler-members ordered $400 million in merchandise in 1983, 23% more than the previous year.

Wholesalers affiliated with Sentry Hardware in Cleveland appeared to be signing up new dealers in record numbers; so much so that officials at Sentry were unable to provide up-to-date figures on just how many dealers these 13 wholesale-members served.

On the other hand, Pro Hardware's overall sales declined slightly in 1983, primarily because of the loss of two of its wholesale-members: William H. Cole & Sons in Baltimore and Moore-Handley in Alabama, which was sold off last year by its parent, Union Camp.

It should also be pointed out that Val-Test in Chicago has recently seen its membership dip to 27 from 35 wholesalers at the end of 1983.

Wholesalers buying groups

Rank	Company	Sales (mil. $) '83	Sales (mil. $) '82	% change	No. of wholesalers '83	No. of wholesalers '82	Affil. dealers/total customers 1983 (1982)	% of home centers 1983	Wholesaler warehouses '83	Wholesaler warehouses '82	Aggregate Inv. (mil. $) 1983	sku's '83	No. of employees '83	No. of employees '82	Advertising corporate/wholesalers 1983
1	Liberty Distributors, Des Plaines, Ill.	850	825	+ 3.0	28	29	3,500/32,000 (3,200/30,000)	35	57	57	130	35,000	45	45	$2.8 mil./NA
2	Associated Building Materials, Green Valley, Ariz.	800	710	+12.7	49	50	none/25,000 (none/25,000)	NA	99	100	NA	NA	3	3	NA/$1 mil.
3	Pro Hardware, Stamford, Conn.	605	610	− 1.0	18	20	4,612/18,000 (4,800/18,000)	40	26	29	110	24,000	25	25	$1.75 mil./ $1.3 mil.
4	Sentry Hardware, Cleveland	500	475	+ 5.3	13	13	NA/5,000	NA	19	19	NA	NA	9	10	NA
5	Allied Hardware Services, Chicago	400	325	+23.1	30	29	6,000/20,800 (6,000/20,800)	NA	31	31	50-55	24,500	6	6	NA/$500,000
6	Val-Test Distributors, Chicago	400	365	+ 9.6	35	31	800/5,000 (800/5,000)	5	47	43	60	13,500	8	8	$60,000/$600,000
7	Associated Hardware Buyers, Gainesville, Ga.	125	120	+ 4.0	24	26	NA	NA	24	26	NA	NA	4	4	NA

Source: *NHCN* research

The seven major wholesaler buying groups wrote an average of 7.3% more business with affiliated distributors last year, and did an aggregate of $3.7 billion in sales, led by Liberty Distributors, whose 28 wholesalers sell to 3,500 stores.

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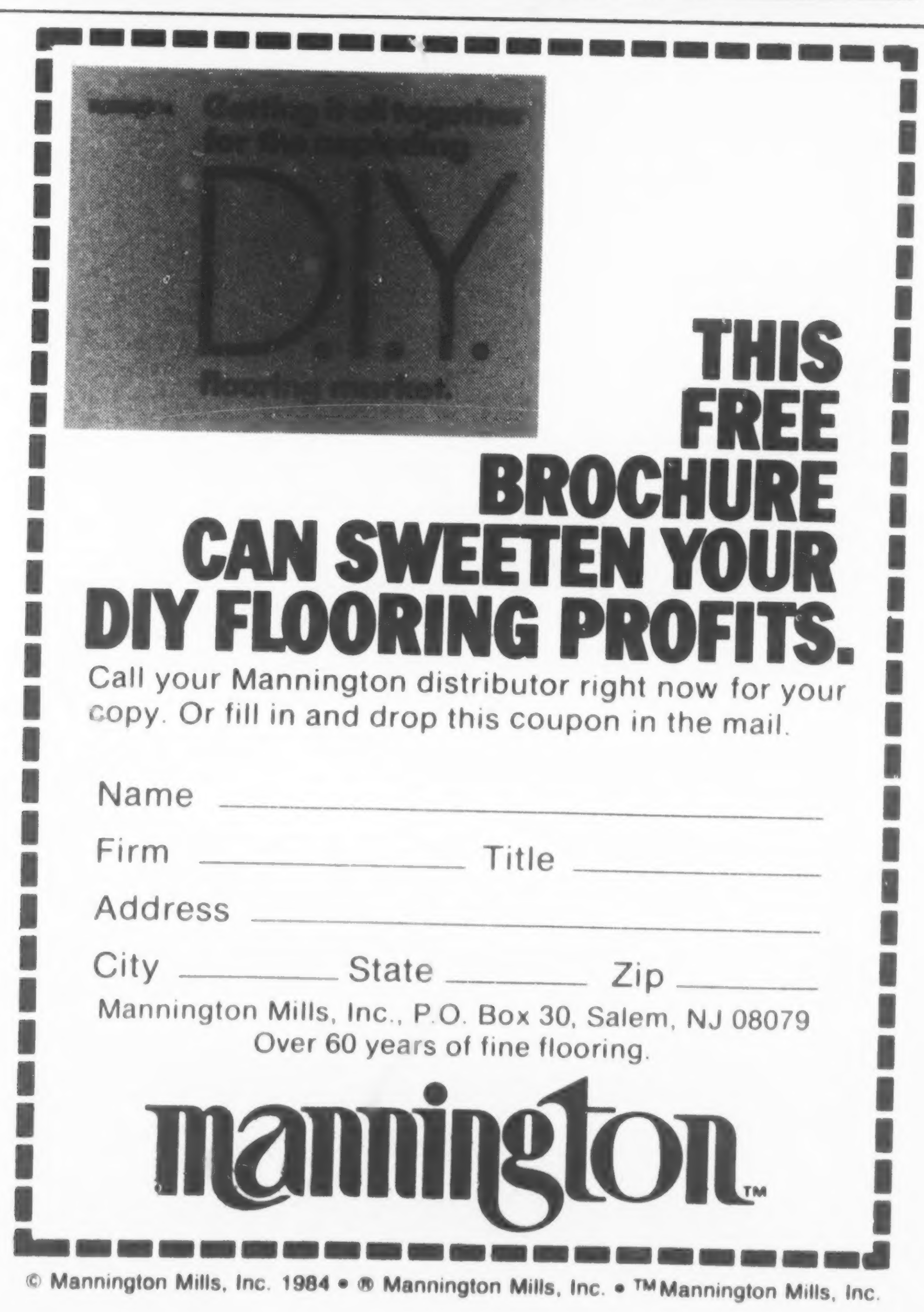
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Growing pains prove fatal for St. Louis co-op

(Continued from page 3)

tile as their company only," said Michael DeHaven, a partner with Thompson & Mitchell, a local law firm that represented the co-op. Whites added that the dealers were not above acting with spleen in their relationship with General Mercantile. "They would bite off their nose to spite their face by keeping out other dealers who might have been big customers of the co-op, just because they were competitors."

In 1974, the company's balance sheet was in rocky shape, with one source claiming: "we had a $60,000 line of credit and $600,000 worth of bills." Consequently, under the presidency of Carl Hanneke Jr., General Mercantile was regeared for expansion to improve profitability, which indirectly dissipated the strength of the individual retailers.

But when it was decided that the co-op be moved into the new distribution center, the fulminations of the powerful dealers arose again. "It became a matter of everybody in the company being a self-proclaimed expert on how it should be run," said Barber, who currently is vp-operations for NuWay Distributors, St. Louis.

What followed over the next 12 months has been described by various sources as "a soap opera," a "joke," "like being in a class of third graders" and "tragic."

The recession in 1982 was bearing down hard on all retailers, which caused many of those affiliated with General Mercantile to cut back their buying. In addition, some retailers voiced concerns over how the co-op's money was being spent. (Barber claims the co-op was losing "$30,000 to $50,000 per month from July through October 1982.")

There was also "a personality conflict between Carl [Hanneke] and some of the dealers, who resented the 'palatial' surroundings" of the co-op's offices which were "more plush than their own," according to Whites.

"I can recall one dealer," added Barber, "who came up to Carl aftr the DC was opened and said 'now that you're in your ivory tower, you don't need our business anymore.' "

Hanneke declined to be interviewed on the record for this story, as did a number of former directors including long-time co-op member Ken Otto, president of Handyman Hardware in Florissant, Mo., and Sam Muributo, president of Hanneke hardware who served as chairman of the co-op's board. "I lost enough money on General Mercantile, let's just drop it," Muributo said.

One dealer who agreed to speak more freely was Phil Simon, president of Sappington Hardware in St. Louis who was the board's secretary. He, too, was confused about why dealers abandoned a company in which they all had money invested, although his reasoning echoed the rationale others provided.

"Anytime you have a dealer-owned co-op, especially one as small as ours was, and someone doesn't like the way it's being run, he is always going to threaten to quit," said Simon. "I belong to the Elks Club, and it's the same damn thing."

The volatility of the situation became bad enough for Hanneke to tender his resignation in October 1982, after nine years as president, at the behest of the board, whose members' enthusiasm about the new warehouse and the direction the company had taken was reportedly waning. Barber, who was General Mercantile's sales manager, took Hanneke's place.

Over the next several months, he and the board, whose number was trimmed to nine dealers, worked to get General Mercantile's house in order, financially. The co-op was able to terminate its lease agreement, and in March 1983 it again moved, this time into more austere surroundings that cost about $3,500 per month in rent.

Barber also converted the company into a cash and carry operation, charging dealers a flat 10% above cost. But again, the co-op ran into dealer opposition to the new format, which was very close to profitability before General Mercantile's filing. "All we needed was to do about $1,000 more a week to break even, and we couldn't even get other dealers to buy that much," lamented Simon. "It was frustrating."

On top of the dealer resistance, General Mercantile also ran up against the Teamsters, whose local union filed a formal grievance against the co-op for laying off several warehousemen when the cash and carry change was enacted.

Barber justified the layoffs by claiming that "I was trying to operate the company on 9% gross, and we were making about $60,000 in gross profit a month at a time when our payroll was $55,000."

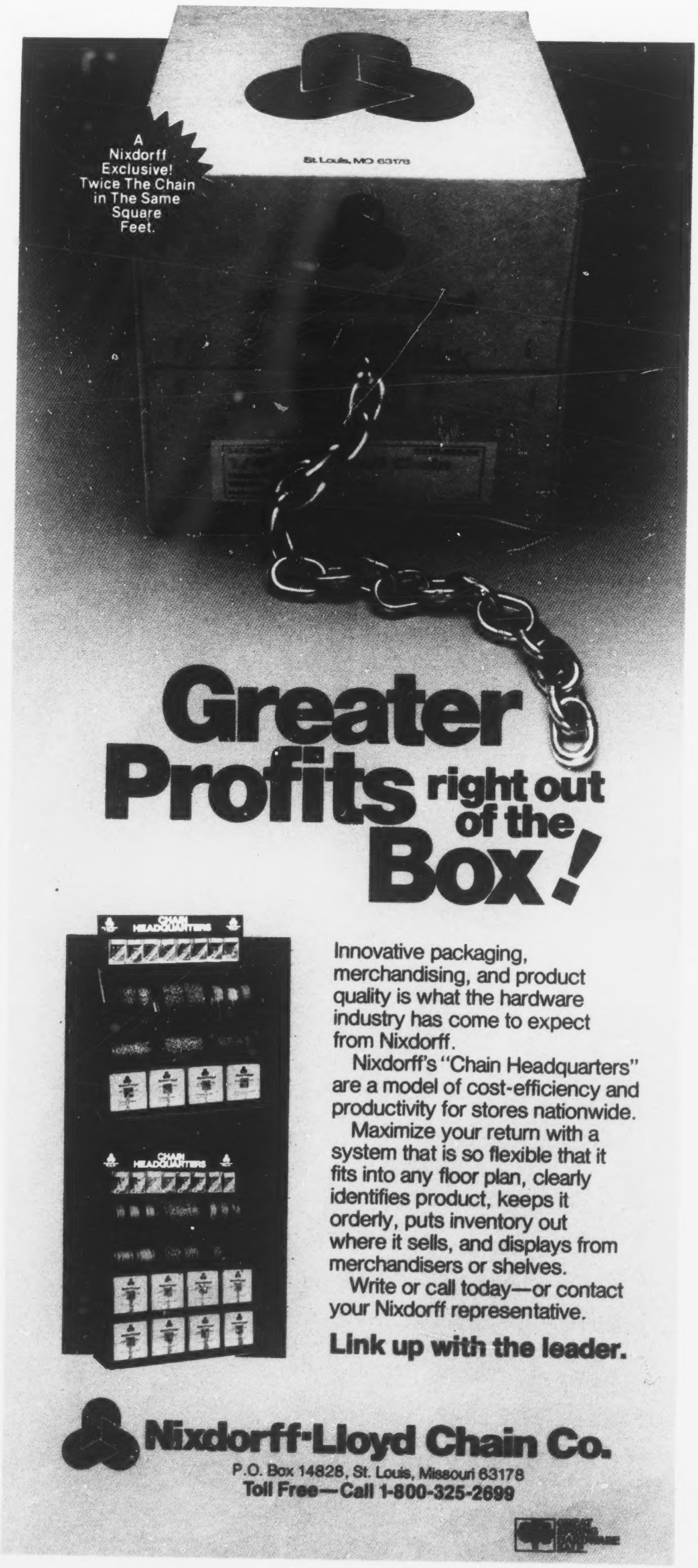
With declining sales and the Teamster unfair practices charge over its head, General Mercantile's board members became "paralyzed," according to DeHaven of Thompson & Mitchell, and decided to place the co-op into receivership against its banker's and legal counsel's advice.

At the time of the filing, General Mercantile had $2 million in debts, "and we told the dealers that if the company was brought into bankruptcy, they wouldn't get a dime and General would be written off with a bad reputation," DeHaven said. "We even suggested they try to interest a company like HWI [Hardware Wholesalers Inc., the Fort Wayne, Ind., co-op] in buying General. But they were stubborn, and insisted on taking the co-op under, fooling themselves into believing it could be reorganized. That's the tragedy."

The co-op's $1.2 million in inventory was liquidated through MF Banks of Minneapolis for a remarkably high 48.5¢ on the dollar, but after the bank creditors took their piece, nothing was left for vendor or dealer creditors.

Those contacted about the co-op's travails all agree that the opening of the new warehouse at a time when it does not appear the company was financially ready to assume the trappings of the larger buying groups was a mistake. And Barber feels that, were it not for the Teamster difficulties, General Mercantile would have made it. "A $9 million company is still a pretty good sized firm."

Said Simon of Sappington Hardware, "if the dealers hadn't acted like spoiled children, General Mercantile might still be around."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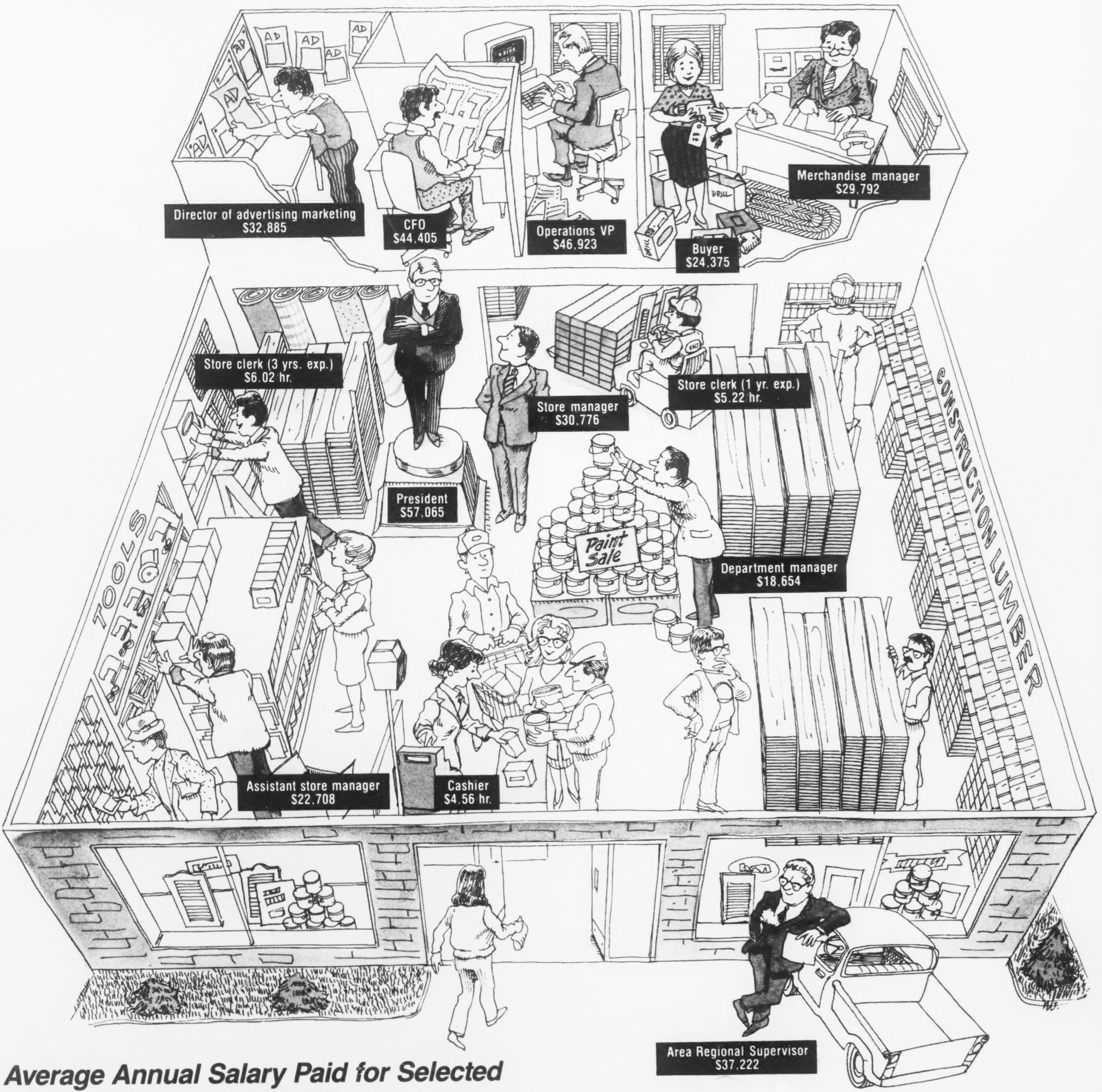
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Average Annual Salary Paid for Selected Company Positions

The average annual salary paid to home center employees ranged from $18,654 for department managers to $57,065 for company presidents, according to a recent National Home Center News *survey.*

Home centers report rising payroll costs; sales gains lessen impact

NATIONAL REPORT—The average home center store manager makes $30,776 a year and receives an annual bonus of $4,729, according to a survey completed last month by Lebhar-Friedman Research for *National Home Center News*.

Store managers, it appears from the survey, are paid better than many buyers. A buyer with three or more years of experience receives an average of $24,375 in salary and a $3,589 bonus. A buyer in training receives an average of $19,286 and a $3,525 bonus.

By a 3-to-1 ratio, home center companies experienced an increase in their payroll costs in 1983 over the level spent the previous year, according to the survey.

However, because sales volumes increased so much last year over the year before, personnel costs as a percentage of revenue actually declined, from 13.3% to 12.6%.

Home center companies responding to the survey reported an average of 302.8 people were enrolled full time on their sales force, or about 17.6 per store.

As for part-time employees, the companies employed an average of 144.6, or about 4.6 per store.

The survey tabulated responses from questionnaires mailed to 500 home center companies, 35 of which responded by returning completed forms. The level of recipients returning the survey's questionnaires was high enough to draw conclusions concerning trends under way in the industry, particularly in regard to smaller or medium sized home center companies.

Respondents indicated that the average annual salary paid to employees ranged from $18,654 for a department manager to $57,065 for company presidents.

The average hourly wage paid full-time cashiers was $4.56, or $4.11 if the cashier was a part-time employee.

A full-time store clerk's starting salary of $4.66 per hour was increased to an average of $5.22 after a full year with the companies, and to $6.02 after three years.

The comparable hourly wages for part-time store clerks were $4.15 to start, $4.75 after a year and $5.06 after three years.

Only 26% of respondents had set minimum or maximum guidelines for the per cent of merit increase that could be awarded to their employees. Still fewer—only 14%—had set such guidelines for salary or wage increases accompanying promotions.

For those companies who had set minimum increases of compensation, the average figure was 2.8% for merit and 4.4% for promotions.

For those firms with maximum guidelines, the average was 8.8% for merit, and 14.6% for promotions.

Respondents stated that, on the average, only 7.6% of their employees belonged to a labor union.

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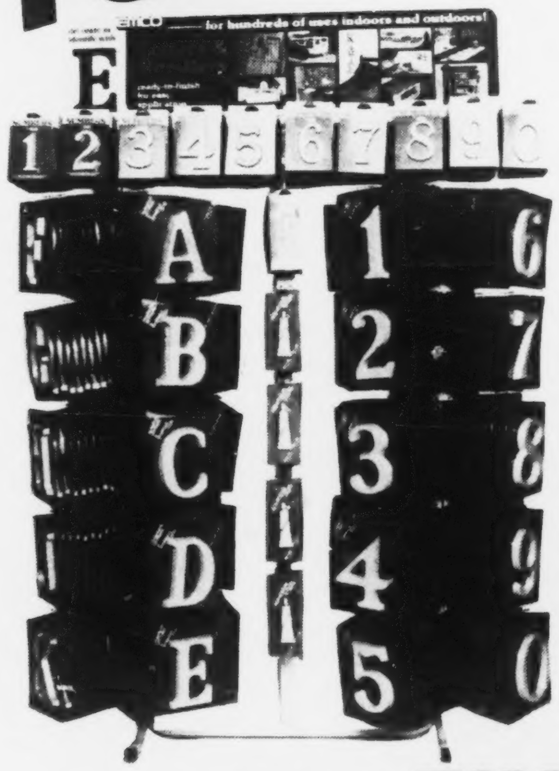

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Medical coverage predominates in home center benefit programs

NATIONAL REPORT—Medical coverage is provided to home center personnel more often than any other company benefit, with hospital coverage being the most commonly offered benefit in the medical category.

According to a survey recently undertaken by Lebhar-Friedman Research for *National Home Center News*, some 86% of all home center employees are offered hospital coverage, about 83% are offered major medical and 80% are offered surgical coverage.

Questionnaires were mailed to 500 home center companies by Lebhar-Friedman Research, as part of a survey concerning salaries, bonuses and benefits in the industry. Of the companies receiving the survey, 35 returned completed questionnaires, representing a sampling that is large enough to draw conclusions about general trends in the industry, particularly among small- and medium-sized home center companies.

Although the survey made a distinction between store level employees and executive level employees, it was discovered that, generally speaking, benefits in each category were offered by roughly the same percentage of home center companies to both groups.

However, there were some exceptions to this general rule. Long term disability was offered by 26% of respondents to store level employees but by 46% to executive level personnel.

Profit sharing plans were offered to store level employees 40% of the time, but to executives 46% of the time.

Stock options were offered to store level employees 3% of the time, and to executives 6% of the time.

Finally, prescription coverage was offered to store level personnel by 51% of respondents, while 57% of respondents offered such plans to executives.

Other categories of benefits were offered to employees by the following percentages of respondents, while executive level personnel received the benefits only slightly more often: Short term disability, 46%; dental plan, 28%; company paid life insurance, 63%; pension plan, 23%, and savings plan, 8%.

Bonuses awarded to employees by home centers

Position with company	% of replying companies awarding bonus	mean avg. bonus	% of those receiving bonuses over $10,000
Chief executive officer, chief operating officer, president	54%	$9,031	53%
Chief financial officer	48	8,450	59
Director advertising/marketing	23	5,583	12
Vp operations/gm	31	8,400	54
Vp merchandising/gmm	28	8,812	44
Merchandise manager	34	5,450	15
Buyer (3+ years experience)	48	3,589	6
Buyer (trainee)	28	3,525	9
Area/Regional supervisor	26	6,938	18
Store manager	74	4,729	12
Assistant store manager	54	2,092	none
Department manager	43	1,893	none

Source: Lebhar-Friedman Research; *NHCN* chart

The figures on this table illustrate the relationships of salaries for various levels of personnel in the home center industry. However, in many cases the response base used is small. Therefore, these figures may be relied upon only as generally representative of mean average salaries.

NHCN chart

First employee benefit query completed

NATIONAL REPORT—A review of employee compensation in the home center industry has been completed by *National Home Center News* in conjunction with Lebhar-Friedman research.

The survey explores the salaries, bonuses and personnel benefits offered by America's lumber and building materials retailers.

Earlier this year, Lebhar-Friedman mailed questionnaires to the top 100 home center and hardware chains, as well as 400 independent home center and hardware store operators, distributed evenly by region across the United States.

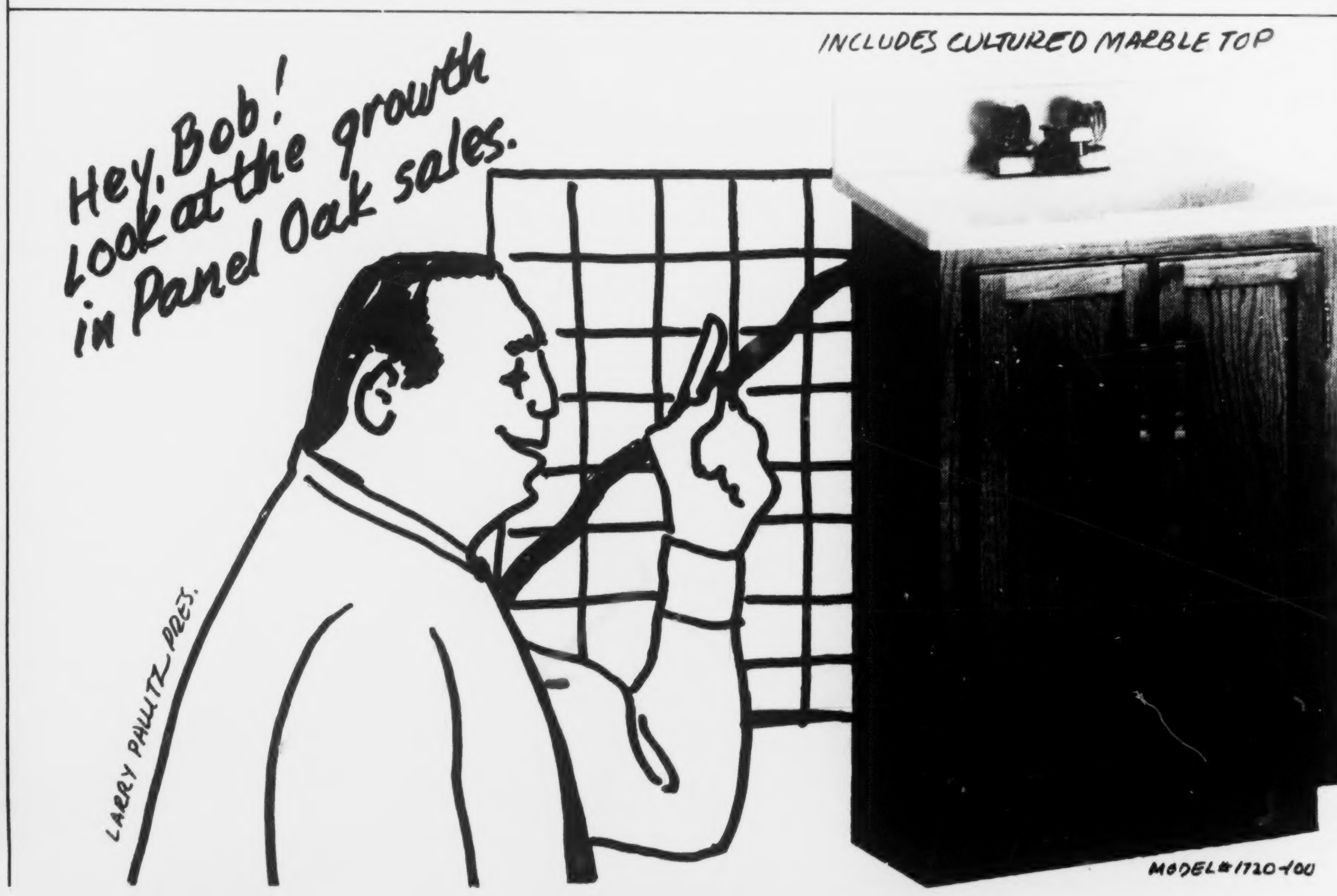
Of the questionnaires distributed, 27 were completed and returned. Lebhar-Friedman completed an additional eight surveys through telephone interviews. The resulting total of 35 responding companies represented a 7% return rate, one that is high enough to spot trends under way at the predominantly medium- and smaller-sized companies that participated.

Of the total respondents, about half operated a single store, while 20% operated chains ranging from two to 10 stores, and about a third operated larger chains.

About half the respondents were lumber and building material dealers with contractor sales totaling over 50% of their businesses. A third classified themselves as home centers, while the remainder described themselves as belonging to other categories.

About 57% of respondents reported annual sales of under $25 million; 14% reported sales between $25 million and $100 million, and 23% reported annual sales from $101 million .

About half the respondents said the majority of their stores were based in areas with populations of under 100,000. Of the remainder, 14% said the population levels surrounding their stores fell between 100,000 and 500,000; 8% said such levels were from 501,000 to 1 million, and 20% said the population levels were over 1 million.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National
Home Center News

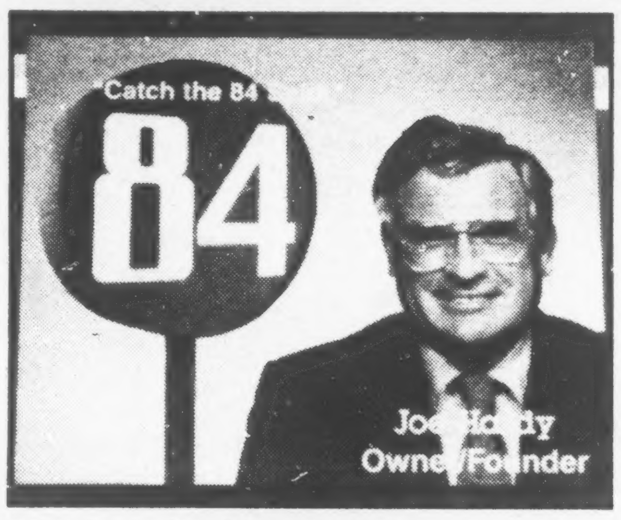
Vol. 10, No. 11 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. May 21, 1984

84 Lumber launches spirited TV campaign

By Suzanne Chazin
NHCN field editor

EIGHT-FOUR, Pa.—84 Lumber is using its namesake year to launch a new company slogan, "Catch the 84 spirit," with an aggressive television advertising campaign in a number of key markets.

***NHCN* has learned that 84 Lumber intends to increase its advertising budget by approximately $25 million this year. In addition, the privately held firm has set a companywide goal of $840 million in sales for 1984, a figure that is roughly 22% greater than last year's volume, based on *NHCN* estimates.**



Founder Joe Hardy's plans for 84 in '84: extensive TV advertising, major renovations and sharper prices.
NHCN photo

Although the western-Pennsylvania-based company has used television in limited markets in previous years, 1984 marks its first full-scale entrance into that medium. Says one television executive, "Although they did some TV ads a long time ago, this is the first indication we've

(Continued on page 62)

Hechinger, K mart divorce scuttles warehouse venture

Companies developing own warehouse plans

By Kenneth Schept
NHCN executive editor

LANDOVER, Md.—The marriage is off.

Hechinger and K mart have dissolved the alliance they formed in February to launch a national chain of warehouse home centers called The Home Team. Instead, each company will separately develop its own warehouse stores.

In September Hechinger will open its first, a 60,000-sq.-ft. outlet in a former Raleigh, N.C., Kings. At about the same time, K mart expects to roll out the three Chicago warehouses that were to be launched as part of the joint venture with Hechinger.

Hechinger, which is forming a warehouse store division, expects to have more sites by summer. K mart will convert some of its discount outlets into home centers, especially units in good retail locations whose performance has been hurt by overstoring. Most of K mart's warehouse home centers will be located outside the Sunbelt.

THE HOME TEAM
A Hechinger-K mart joint venture

"We had this project under way before talking with Hechinger so we have actually been delayed perhaps two months and will move ahead aggressively," said K mart chairman Bernard Fauber. K mart could develop a $1 billion home center business within five years, he commented.

Whether K mart or Hechinger will use the "Home Team" name is not yet settled. Both would like to. "It was our invention," said Hechinger president John Hechinger. "It is our registration."

"There are still a lot of issues and questions to resolve," said Glen Mielke, K mart operations vp for freestanding home centers, who had served as operations vp for The Home Team. "For the most part the main issue is the name, its future use and the merchandise assortment that had been established through the end of April."

The breakup came because an accumulation of differences between the nation's second-largest retailer, with 2,161 stores, and the 44-unit, family-controlled, regional home center chain.

"We wanted full responsibility for doing the merchandising and to really rely on some of the great strengths of K mart,

(Continued on page 62)

Store count to triple by 1990

Evans christens six units; further openings planned

By Greg Puchalski
NHCN senior editor

SAYREVILLE, N.J.—Evans Products retail group made its boldest plunge yet into DIY warehouse retailing during the last week of April with the grand opening and re-opening of six warehouse stores.

The blitz of openings, which advanced the 348-store chain to 15 warehouse units, extended along the East Coast with the unveiling of a 60,000-sq.-ft. unit and attached drive-through here, the re-opening of two Moore's outlets in Charlotte, N.C., and the re-opening of two Lindsley units in Clearwater and Seminole, Fla., all as warehouses.

The company included its West Coast operations in the festivities with the completion of a conversion of a Grossman's store in Modesto, Calif.

The debut of the retail group's warehouse stores will continue, according to retail group president Mike Grossman, who attended the grand opening here along with other Grossman's executives and Evans Products vice president Tracy Posner, daughter of financier Victor Posner whose Sharon Steel Corp. owns nearly half of Evans Products.

GRAND OPENING Old Bridge Sayreville N J April 25 1984

Evans and Grossman's executives, with municipal officials, gather for grand opening of Grossman's Building Material Warehouse in Sayreville, N.J. From left: Robert Harrow, Grossman exec vp; J. Howard Kolb, Sayreville's assessor; retail group pres. Mike Grossman; Evans vp Tracy Posner; store mgr. Jim Troiano; Old Bridge Mayor Russell Azzarello, and Grossman exec vps Everett Grossman and Stanley Berman.
NHCN photo

"Since last December, we've opened or remodeled 15 stores into the warehouse style," Grossman related enthusiastically. "That's the most rapid warehouse expansion in the industry. We will have 20 to 25 warehouse stores in the chain by the end of the year. These stores will give us the basis for $200 million in warehouse-store volume."

The company is preparing

(Continued on page 62)

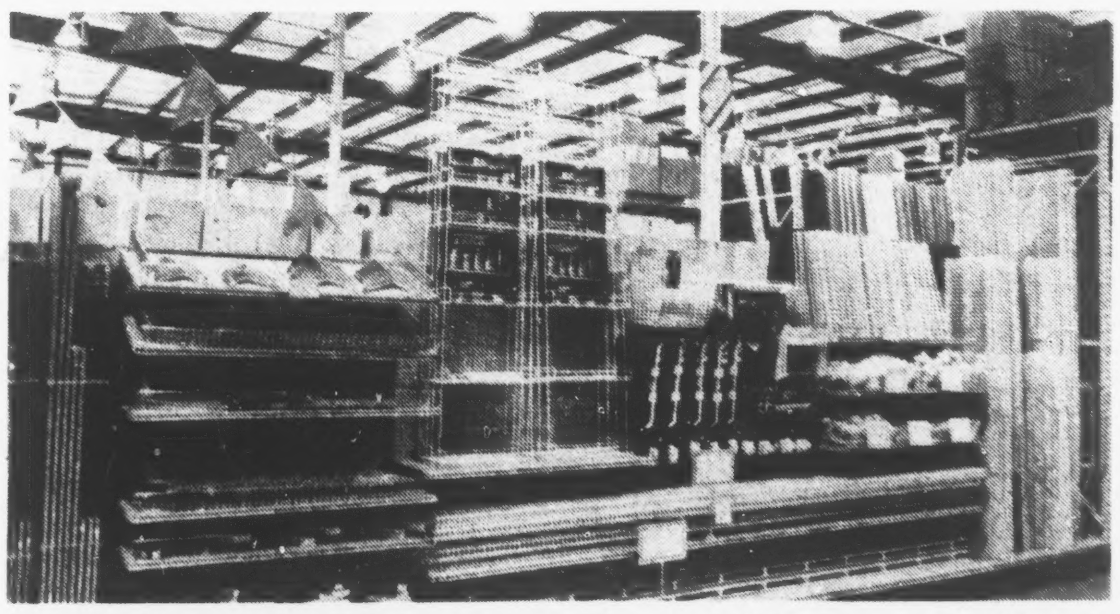
Cluttered closets create cache of sales

By Linda Lynton Carnevale
NHCN field editor

NATIONAL REPORT—There are nearly half a billion closets in America, yet for most consumers, there still doesn't seem to be enough storage space in their homes.

That irony appears to be turning into a bonanza for retailers, however, as a growing number of dealers are discovering a booming business for products designed to organize the nation's closets and storage space.

Industry figures on the sales of storage organizing products appear as difficult to find as spare storage space, but a number of suppliers are predicting unit sales this year will be approximately double those of last year.



West Building Materials, Jonesboro, Ga., displays many different types of storage organizing products.
NHCN photo

An estimated 250,000 closet organizers have been sold within the past two to three years, and another 250,000 are expected to be sold in 1984, according to one manufacturer, Clairson International, which makes the Closet Maid line of closet organizers.

(Continued on page 37)

NEWSBREAKS

LARGEST STORE FOR MEEK. Charles C. Meek Lumber, Springfield, Mo., has broken ground in Chico, Calif., for its largest store to date. The 18,000-sq.-ft. unit is due to open this fall.

INSIDE:

HOME CENTERS OF AMERICA will drop the word "pro" from its store name, Home-Pro Warehouse, as a result of a trademark suit by distributor Pro Hardware .... **Page 2**
COLOR TILE has agreed to purchase the 128 Canadian units and 22 Pittsburgh paint stores of Color Your World 2
WORLD EXPO CONSTRUCTION boosted sales at some New Orleans building material dealers by as much as 18% 3
INDUSTRY EXECUTIVES believe their DIY customers will become more demanding in the decade ahead 3
WOLOHAN'S RELOCATED FLAGSHIP unit drawing strong DIY volume at its new site **30**
NEW COMPUTER helps a Massachusetts independent provide quicker estimates to its DIY and contractor customers ... **55**